



communications

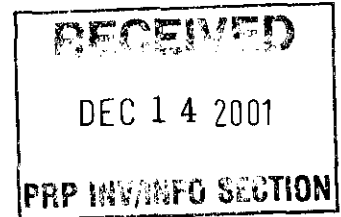
L-3 Communications Corporation

1920 E. Warner Avenue, Suite A
Santa Ana, CA 92705
949-851-8300 Fax: 949-851-8303

David Sweet, Esq.

Vice President & Associate General Counsel

December 13, 2001



Via Federal Express

Ms. Carlyn Winter Prisk (3HS11)
Hazardous Site Cleanup Division
U.S. Environmental Protection Agency
1650 Arch Street
Philadelphia, PA 19103

Re: Lower Darby Creek Area Superfund Site

Dear Ms. Prisk:

This letter is in response to your letter of November 5, 2001 and October 3, 2001. First, we apologize for our oversight with regard to the October 3rd letter. The letter was apparently misplaced and not forwarded to my attention for response. We truly hope that there was no inconvenience beyond the need for a follow-up letter. Thank you for agreeing to extend the response deadline until December 15, 2001.

An item-by-item response to EPA's Information Request follows. As we discussed, the Request for Information appears to assume a history of ITE during the 1970s that varies in some very significant aspects from the actual history. In particular, and relevant to the time period involved in the 104(e) Request (1958 through 1976), is the fact that Gould Inc. purchased the all of the stock of ITE in 1976. There was no transaction between ITE and SPD Technologies. Thus, a significant number of responses to the Request for Information are responded to as being not applicable.

Nevertheless, I have attempted to respond to the spirit as well as the letter of the request, by providing information regarding the actual history, and by providing those documents that are in the possession of SPD. Gould Inc. may have additional information responsive to your needs; their address is Gould Electronics, Inc., 34929 Curtis Boulevard, Eastlake, Ohio 44095. Attention: J.F. Cronmiller, Director of Environmental Affairs.

In any event, following the purchase of ITE, Gould appears to have entered into a number of transactions involving the former ITE business. At that time, the ITE business was organized into three principal product groups; large air circuit breakers (power breakers), small air circuit breakers (molded case breakers) and switchgear. In 1979, Gould formed a 50/50 partnership with Brown Boveri Power Delivery, Inc. (now ABB) to manufacture and sell certain ITE product lines. The partnership involved both commercial and military products, but did not include the

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small air circuit breaker product line, which was retained by Gould. This partnership lasted approximately twenty-two months, and in 1980, ABB acquired Gould's fifty- (50) percent partnership interest.

Simultaneous with the sale of the large air circuit breaker line to ABB, Gould established the Distribution and Controls Division, which consisted of the small air circuit breaker product line, the Navy large air circuit breaker product line and the commercial switchgear business. In 1983, Gould attempted to sell the entire Distribution and Controls Division to Siemens, but after Department of Defense objections based upon security concerns, Gould decided to retain the entire (large and small air) Navy circuit breaker business and established the "Systems Protection Division" to manage this business. The above history was obtained from a history of ITE (Attachment 1), supplemented by an interview with a longtime, former ITE employee.

In 1987, Gould sold specifically identified assets and liabilities of the Systems Protection Division to a group formed by Systems Protection Division management and backed by Merrill Lynch Interfunding ("MLI"). MLI was the primary shareholder. The newly formed corporation to acquire these assets was SPD Technologies, Inc. ("SPD"). Gould specifically retained all of the environmental liabilities of the business, including CERCLA liabilities. In January 1998, MLI sold its controlling interest in SPD to Midmark Capital. Later in 1998, Midmark and the other SPD shareholders (mostly management) sold the stock of SPD to L-3 Communications. In 1999, Gould (which was acquired in 1988 by Nippon Mining Company, now known as Japan Electric Corporation), sold the last remnant of ITE, the Shawmut commercial fuse business to Carbone Lorraine.

While the Information Request does not seek the Gould / SPD spin-off agreement, a copy is attached to the Response as Attachment 2. There was no agreement between ITE and SPD Technologies, because ITE had already been purchased by Gould.

It also appears from the Information Request that EPA erroneously believes that SPD Technologies is now a division of L-3 Communications, Inc. In fact, SPD Technologies, Inc. is a wholly owned subsidiary of L-3 Communications Corporation. SPD Technologies, Inc. is the product of the merger of SPD Acquisition Corporation and SPD Holdings, Inc. SPD Acquisition Corporation was created by L-3 Communications when L-3 Communications acquired the stock of SPD Holdings in 1998. The responses below include information in the possession, custody, or control of SPD Technologies, Inc.

L-3 Communications expressly disclaims any obligations to update the information provided below.

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OBJECTIONS

1. The Information Request seeks information, for example, corporate information regarding entities not even created until twenty (20) years after the operation of the referenced sites, that is clearly not relevant to its inquiry.
2. The Information Request seeks information protected by the attorney work product doctrine and / or the attorney-client privilege.
3. The Information Request assumes as true predicates that are in fact false.

RESPONSES

1. State the name of your company, its mailing address, and telephone number. Further identify: **L-3 Communications Corporation, 1920 E. Warner Avenue, Suite A, Santa Ana, CA 92705, 949-851-8300.**
 - a. The dates and states of incorporation of your company: **1997 – Delaware.**
 - b. The date and original state of incorporation of your company, and: **1997 – Delaware.**
 - c. The parent corporation of your company, if any, and all subsidiaries or other affiliated entities: **No parent - list of subsidiaries attached as Attachment 3.**
2. Describe in detail SPD's relationship with ITE. Please submit any and all documents relating to the sale, merger or other transaction by which SPD acquired any assets, liabilities, property, or possessions of ITE, including, but not limited to all documents pertaining to any agreements, express or implied, for the purchasing corporation to assume the liabilities of the selling corporation: **None. SPD had no transactions with ITE. SPD was first established by Gould in 1983 as a division (the Systems Protection Division). In 1987, Merrill Lynch Interfunding and management of the Systems Protection Division formed SPD Technologies, Inc., to buy the assets of the Systems Protection Division from Gould. Later, the same entities established SPD Holdings, Inc., to facilitate acquisitions of other businesses. SPD Technologies, Inc. is the product of a merger between SPD Holdings and SPD Acquisition Corporation, to facilitate the purchase of the stock of SPD Holdings by L-3 Communications Corporation.**

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3. Describe in detail L-3 Communication's relationship with SPD. Please submit any and all documents relating to the sale, merger or other transaction by which L-3 Communications acquired any assets, liabilities, property, or possessions of SPD, including, but not limited to all documents pertaining to any agreements, express or implied, for the purchasing corporation to assume the liabilities of the selling corporation. **L-3 Communications owns 100 percent of the stock of SPD Technologies, Inc. The Stock Acquisition Agreement is attached as Attachment 4.**
4. Describe in detail the corporate histories of ITE, SPD, and L-3 Communications. Identify any and all mergers, incorporations, corporate name changes, or changes in ownership which resulted in the current organization of SPD as a division of L-3 Communications. Please provide dates of any and all such mergers, incorporations, corporate name changes and changes in ownership. **See response below.**
 - a. For each merger, please provide a copy of the merger document.
 - b. For each incorporation, please provide all documents reflecting the incorporation or the change.
 - c. For each change in ownership, please provide all documents reflecting the incorporation or the change. Please provide the names and addresses of all subsequent owners..
 - d. For each corporate name change, please provide all documents reflecting such changes.

L-3 Communications

L-3 Communications was formed in 1997, by a combination of Frank Lanza and Robert LaPenta, Lehman Brothers and Lockheed Martin to acquire certain businesses from Lockheed Martin. Since 1997, L-3 Communications has made numerous acquisitions, growing in size to approximately \$2 billion in annual sales. In 1998, L-3 Communications had an initial public offering, and was listed on the New York Stock Exchange under the symbol LLL. L-3 Communications objects to the request for documents on the basis that such request lacks any relevance whatsoever to this inquiry, because it was not established during the relevant time period.

SPD Technologies

SPD Technologies, Inc. was formed by the merger of SPD Holdings and SPD Acquisition in 1998, when L-3 Communications purchased the stock of SPD Holdings from Midmark Capital. Midmark Capital had purchased the stock of SPD Holdings from Merrill Lynch in January 1998. A copy of the MLI/Midmark Agreement is attached as Attachment 5.

ITE

ITE's history now dates back more than 100 years. Neither SPD nor L-3 Communications has any documents relating to corporate transactions between the periods of 1958 and 1976. The documents may be obtainable from Gould. A brief chronology follows:

- 1888 Henry B. Cutter establishes the Cutter Electrical Manufacturing Company**
- 1891 The Cutter Electrical Manufacturing Company ("Cutter") is incorporated**
- 1904 Cutter trademarks the ITE Circuit Breaker name**
- 1928 Cutter changes its name to ITE Circuit Breaker Company**
- 1968 ITE becomes ITE Imperial Corporation upon purchase of Imperial Eastman Company**
- 1976 Gould purchases the stock of ITE Imperial**

5. What is the current nature of the business or activity conducted by SPD? What was the nature of ITE's and / or SPD's business or activity in the Philadelphia area between 1958 and 1976? Please describe in detail. If the nature of ITE's / SPD's business or activity changed from the period of 1958 to 1976 to the present, please provide a detailed explanation of the changes to date.

SPD

SPD Technologies, Inc. manufactures electrical equipment, principally for the U.S. Navy. SPD had no activities in the Philadelphia area between 1958 and 1976, as it did not yet exist.

ITE

While SPD disclaims any relationship to ITE, longtime former ITE employees report the following nature of operations in the 1958 to 1976 time period, in the Philadelphia area: ITE's Philadelphia area operations in the relevant time period consisted of four major divisions: small (molded case) air circuit breakers; large (power) air circuit breakers; switchgear; and, transformers and rectifiers. The first three operations had both commercial and U.S. Navy customers, the commercial operations were much larger. During the relevant period, ITE developed progressively higher voltage circuit breakers: 900 amp in 1963; 4160 volt in 1968; 2000 amp in 1972; and so on. Major business changes occurred in the 1970s, as high labor rates at ITE's Philadelphia operations made the commercial business non-competitive. ITE had planned to move the large breaker division to South Carolina (which in fact occurred), and the small breaker division to North Carolina (which did not occur). Around the same time, ITE established a facility in Belmawr, New Jersey to manufacture electrical panel boards. That facility was closed in the 1980s. After 1976, there were major changes to the ITE business under Gould ownership, as Gould sold pieces of ITE to various parties, as discussed above. Some ITE businesses, such as Imperial Eastman and Shawmut, never had a presence in the Philadelphia area.

6. Provide a copy of any and all agreements of sale, merger, and / or transfer between ITE and SPD as well as all attachments and amendments to any such agreement including related agreements such as exclusive service contracts, not to compete agreements or consulting agreements, and any agreement, schedule or other document that documents each asset, liability, property or possession sold as well as the consideration paid for each. **No such agreement exists. However, a copy of the Asset Purchase Agreement between Gould and SPD is attached as Attachment 2. That Agreement clearly specifies that nearly all pre-closing liabilities, specifically including environmental and CERCLA obligations, were retained by Gould.**
7. Identify all consideration paid by SPD for any and all assets, liabilities, property or possessions of ITE. In identifying the consideration, provide the amount paid in cash, the amount paid in promissory notes or other form of debenture payable to the entity and / or officers, directors and / or shareholders of the entity selling the assets, the value associated with the assumption of liabilities (if assumption of liabilities is involved, you are also to identify the types of liabilities assumed by SPD), the value associated with the performance of services, the value associated with shares of stock exchanged as part of the sale, and the type and value associated with any other form of consideration not

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identified above. **No such transaction occurred. The consideration paid by SPD to Gould is identified in the Agreement referenced in Question 6 above.**

8. For all promissory notes or other form of debenture identified in Question 7 above, has there been a renegotiation of the terms and conditions relating to this debt? If there has, describe the changes made and provide documentation that substantiates these changes. Furthermore, if any payment was late, reduced or is in arrears identify the amount of the payment, the original due date of the payment, and the number of days in arrears. **No such promissory notes exist. There was no renegotiation of notes with Gould.**
9. Identify if any law suit has been filed against the current owner of any and / or all assets or former assets of ITE for activities conducted prior to the acquisition of any and / or all of these assets by SPD or any other entity. In your response, identify the plaintiff(s), defendant(s), the type of action, the docket number of the case, the court that the case was filed in and the present status of the case. **No such acquisition occurred. There were no lawsuits with Gould.**
10. Are there any indemnification agreements between ITE and SPD associated with the sale of assets? If yes, provide a copy of any such agreement. Also, has there been any attempt to activate these agreements? Describe the circumstances surrounding each attempt to activate the indemnification agreement, the current status of each attempt and if the attempt was resolved, describe the final resolution of each attempt. **No such indemnification agreements exist. However, there is an indemnification provision contained in the Agreement referenced in Question 6, above. Upon information and belief, SPD made a claim for indemnification in connection with the de minimis settlement of a Superfund site. Use of the site apparently straddled the closing date, and Gould satisfied the portion of this obligation relating to events occurring before the Closing Date of the Gould / SPD transaction. We are attempting to locate copies of correspondence relating to this site.**
11. Provide copies of any appraisals and all documents that support the appraisal's findings for each appraisal that was relied upon for any sale of assets or liabilities from ITE to SPD as well as any and all appraisals that were conducted during a four year period that begins two years prior to any sale and concludes two years after the sale. **No such sale occurred.**

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12. List the addresses where ITE had conducted business prior to any sale or other transaction referred to in this Information Request and where SPD conducted business prior to and following any such sale or other transaction.

ITE

Longtime SPD employees are aware of the following addresses in the Philadelphia area where ITE conducted operations:

1888 Chestnut Street, Philadelphia, PA (stopped 1891)
1891 27 South 11th Street, Philadelphia, PA (stopped 1896)
1896 1112 Samson Street, Philadelphia, PA (stopped 1900)
1900 19th and Hamilton Streets, Philadelphia, PA (stopped 1980)
196? Transformer Division 645 Erie Avenue, Philadelphia, PA (stopped 1974)
1968 Switchgear Division, Chalfont, PA (stopped 1984)
1972 Small Air Circuit Breakers Castor and Sedgely, Philadelphia, PA (stopped?)
1974 Large Air Circuit Breakers, 645 Erie Avenue, Philadelphia, PA (stopped?)
197? Panel Board Operation, Bellmawr, NJ (stopped mid 80s)
1980 Navy Breakers, Horsham, PA (stopped 1985)
1984 Switchgear Division, Montgomeryville, PA (stopped 1998)
1985 Systems Protection Division, 13500 Roosevelt Boulevard, Philadelphia, PA

13. Identify all persons currently or formerly employed by your establishment(s) who have or may have personal knowledge of ITE's and / or SPD's operations and waste disposal practices between 1958 and 1976 at its facilities in the Philadelphia, Pennsylvania area. For each such person, state that person's employer, job title, dates of employment, current address, and telephone number. If the current telephone number or address is not available, provide the last known telephone number of last known address of such person.

Disposal Practices

Jim Kennedy (deceased)
Tom Becker (deceased)

Operations

John Halferty (current employee of SPD)
John Ykema (current employee of SPD)

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14. Identify the owners and operators of your establishment(s) in the Philadelphia, Pennsylvania area from 1958 to the present. For each owner and operator further provide:
- a. The dates of their operation;
 - b. The nature of their operation;
 - c. All information or documents relating to the handling and / or generation, storage, treatment, recycling, formulation, disposal, or transportation of any hazardous substance, hazardous waste, pollutant contaminant, or other waste during the period in which they were operating the establishment(s).

SPD has operated establishments in the Philadelphia area as follows:

- 1. 13500 Roosevelt Boulevard, Philadelphia (see description of operations above.) The facility is a generator of hazardous waste only. 1987–current.**
- 2. Montgomeryville Machine shop. Small quantity hazardous waste generator. 1987-1999.**

SPD objects to the request to produce all documents relating to waste generation because they are voluminous and relate in no way to the relevant time period. Such documents are available for inspection at the SPD facility.

15. Describe the types of documents generated or maintained by your establishment(s) in the Philadelphia, Pennsylvania area concerning the handling and / or generation, storage, treatment, transportation, recycling, formulation, or disposal of any hazardous substance, hazardous waste, pollutant, contaminant or other waste between 1958 and 1976. **None, establishment not yet in operation. No such documents exist in archives.**
- a. Provide a description of the information included in each type of document and identify the person who was / is the custodian of the documents. **See response above.**
 - b. Describe any permits or permit applications and any correspondence between your company and / or establishment(s), and any regulatory agencies regarding the transportation and disposal of such waste. **See response above.**

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- c. Describe any contracts or correspondence between your company and / or establishment(s) and any other company or entity regarding the transportation and disposal of such wastes. **See response above.**
16. Identify every hazardous substance used, generated, purchased, stored or otherwise handled at your establishment(s) in the Philadelphia, Pennsylvania area between 1958 and 1976. Provide chemical analyses and Material Safety Data Sheets ("MSDS"). With respect to each such hazardous substance, further identify: **None, establishment not yet in operation. No such documents exist in archives.**
- a. The process(es) in which each hazardous substance was used, generated, purchased, stored, or otherwise handled; **See response above.**
 - b. The chemical composition, characteristics, and physical state (solid, liquid, or gas) of each such hazardous substance; **See response above.**
 - c. The annual quantity of each such hazardous substance used, generated, purchased, stored, or otherwise handled; **See response above.**
 - d. The beginning and ending dates of the period(s) during which such hazardous substance was used, generated, purchased, stored, or otherwise handled; **See response above.**
 - e. The types and sizes of containers in which these substances were transported and stored; and **See response above.**
 - f. The persons or companies that supplied each such hazardous substance to your company. **See response above.**
17. Identify all by-products and wastes generated, stored, transported, treated, disposed of, released, or otherwise handled by your establishment(s) in the Philadelphia, Pennsylvania area between 1958 and 1976. With respect to each such by-product and waste identified, further provide: **None, establishment not yet in operation.**
- a. The process(es) in which each such by-product and waste was generated, stored, transported, treated, disposed of, released, or otherwise handled; **See response above.**

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- b. The chemical composition, characteristics, and physical state (solid, liquid, or gas) of each such by-product or waste; **See response above.**
 - c. The annual quantities of each such by-product and waste generated, stored, transported, treated, disposed of, released, or otherwise handled; **See response above.**
 - d. The types, sizes, and numbers of containers used to treat, store, or dispose of each such by-product or waste; **See response above.**
 - e. The name of the individual(s) and / or company (ies) that disposed of or treated each such by-product or waste; and **See response above.**
 - f. The location and method of treatment and / or disposal of each such by-product or waste. **See response above.**
18. Did ITE and / or SPD ever contact with, or make arrangements with Clearview, Folcroft, Folcroft Annex, Eastern Industrial, Tri-County Hauling, S. Buckly Trash Hauling, Barratt Rupurt, McCloskey Engineering, ABM Disposal Services, Marvin Jonas, Jonas Waste Removal, Paolino Company, Schiavo Bros., Inc., and / or any other company or municipality to remove or transport material from your establishment(s) in the Philadelphia, Pennsylvania area between 1958 and 1976 for disposal? If so, for each transaction identified above, please identify: **Not to the knowledge of SPD.**
- a. The person with whom you made such a contract or arrangement; **See response above.**
 - b. The date(s) on which or time period during which such material was removed or transported for disposal; **See response above.**
 - c. The nature of such material, including the chemical content, characteristics, and physical state (i.e., liquid, solid, or gas); **See response above.**
 - d. The annual quantity (number of loads, gallons, drums) of such materials; **See response above.**
 - e. The manner in which such material was containerized for shipment or disposal; **See response above.**

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- f. The location to which such material was transported for disposal; **See response above.**
 - g. The person(s) who selected the location to which such material was transported for disposal; **See response above.**
 - h. The individuals employed with any transporter identified (including truck drivers, dispatchers, managers, etc.) with whom your establishment dealt concerning removal or transportation of such material; and **See response above.**
 - i. Any billing information and documents (invoices, trip tickets, manifests, etc.) in your possession regarding arrangements made to remove or transport such material. **See response above.**
19. Provide the names, titles, areas of responsibility, addresses, and telephone numbers of all persons who, between 1958 and 1976, may have: **None known, establishment not yet in operation.**
- a. Disposed of or treated materials at Clearview, Folcroft and Folcroft Annex or other areas of the Site; **See response above.**
 - b. Arranged for the disposal or treatment of materials at Clearview, Folcroft and Folcroft Annex or other areas of the Site; and / or **See response above.**
 - c. Arranged for the transportation of materials to Clearview, Folcroft and Folcroft Annex or other areas of the Site (either directly or through transshipment points) for disposal or treatment. **See response above.**
20. For every instance in which your establishment(s) disposed of or treated material at Clearview, Folcroft and Folcroft Annex or other areas of the Site, or arranged for the disposal or treatment of materials at the Site, identify: **Not applicable.**
- a. The date(s) on which such material was disposed of or treated at the Site; **See response above.**
 - b. The nature of such material, including the chemical content, characteristics, and physical state (i.e., liquid, solid, or gas); **See response above.**

- c. The annual quantity (number of loads, gallons, drums) of such material; **See response above.**
 - d. The specific location on the Site where such material was disposed of or treated; and **See response above.**
 - e. Any billing information and documents (invoices, trip tickets, manifests, etc.) in your company's or establishment's (s') possession regarding arrangements made to dispose of or treat such material at the Site. **See response above.**
21. Did your establishment(s) or any other company or individual ever spill or cause a release of any chemicals, hazardous substances, and / or hazardous waste, and / or non-hazardous solid waste on any portion of Clearview, Folcroft and Folcroft Annex or any other portion of the Site? If so, identify the following: **No.**
- a. The date(s) the spill(s) / release(s) occurred; **See response above.**
 - b. The composition (i.e., chemical analysis) of the materials which were spilled / released; **See response above.**
 - c. The response made by your or on your behalf with respect to the spill(s) / release(s); and
 - d. The packaging, transportation, and final disposition of the materials which were spilled / released. **See response above.**
22. Please identify individuals employed by your establishment(s) who were responsible for arranging for the removal and disposal of wastes, and individuals who were responsible for payments, payment approvals, and record keeping concerning such waste removal transactions at your Philadelphia, Pennsylvania area establishment(s) between 1958 and 1976. Provide current or last known addresses and telephone numbers where they may be reached. If these individuals are the same persons identified by your answer to question 3, so indicate. **None, establishment not yet in operation.**
23. Did you or any person or entity on your behalf ever conduct any environmental assessments or investigations relating to contamination at Clearview, Folcroft and Folcroft Annex or any other areas of the Site? If so, please provide all documents pertaining to such assessments or investigations. **No.**

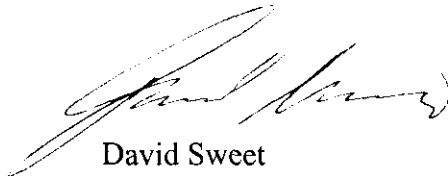
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24. If you have any information about other parties who may have information which may assist the EPA in its investigation of the Site, including Clearview, Folcroft and Folcroft Annex, or who may be responsible for the generation of, transportation to, or release of contamination at the Site, please provide such information. The information you provide in response to this request should include the party's name, address, telephone number, type of business, and the reasons why you believe the party may have contributed to the contamination at the Site or may have information regarding the Site. **None known.**
25. Representative of your establishment(s):
- a. Identify the person(s) answering these questions on behalf of your establishment(s), including full name, mailing address, business telephone number, and relationship to the company. **David Sweet, Esq., Vice President and Associate General Counsel, L-3 Communications Corporation, 1920 E. Warner Avenue, Suite A, Santa Ana, CA 92705, Tel: 949-851-8300.**
 - b. Provide the name, title, current address, and telephone number of the individual representing your establishment(s) to whom future correspondence or telephone calls should be directed. **David Sweet, Esq., Vice President and Associate General Counsel, L-3 Communications Corporation, 1920 E. Warner Avenue, Suite A, Santa Ana, CA 92705, Tel: 949-851-8300.**
26. If any of the documents solicited in this information request are no longer available, please indicate the reason why they are no longer available. If the records were destroyed, provide us with the following: **Not applicable. SPD has a formal document retention policy (attached as Attachment 6), but likely never had possession of any of the documents requested.**
- a. Your document retention policy; **See response above.**
 - b. A description of how the records were / are destroyed (buried, archived, trashed, etc.) and the approximate date of destruction; **See response above.**
 - c. A description of the type of information that would have been contained in the documents; and **See response above.**

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- d. The name, job title, and most current address known to you of the person(s) who would have produced these documents; the person(s) who would have been responsible for the retention of these documents; and the person(s) who would have been responsible for the destruction of these documents. **See response above.**

Very truly yours,



David Sweet

DS:dcm

Attachments (6)

1. 100 Year History Book
2. SPD Holdings Asset Purchase Agreement of the Systems Protection Division of Gould
3. L-3 Communications Corporation List of Subsidiaries
4. L-3 Stock Acquisition Agreement of SPD Technologies
5. Acquisition of Stock of SPD Holdings by Midmark Capital from MLI
6. SPD Formal Document Retention Policy

SPD\LTR\EPA-1201.DOC

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A Century of Innovation



SPD Technologies

1888
Cutter Electrical
Manufacturing
Company

CUTLER
ESTABLISHED 1888

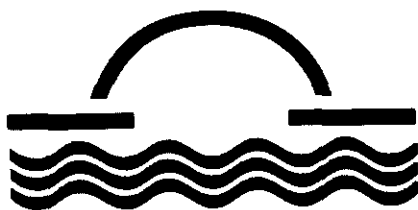
1976
Gould
Electronics



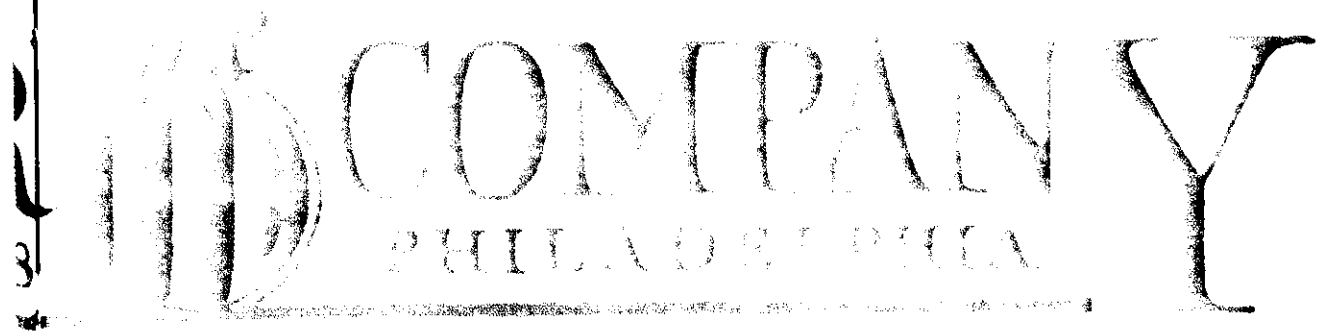
GOULD



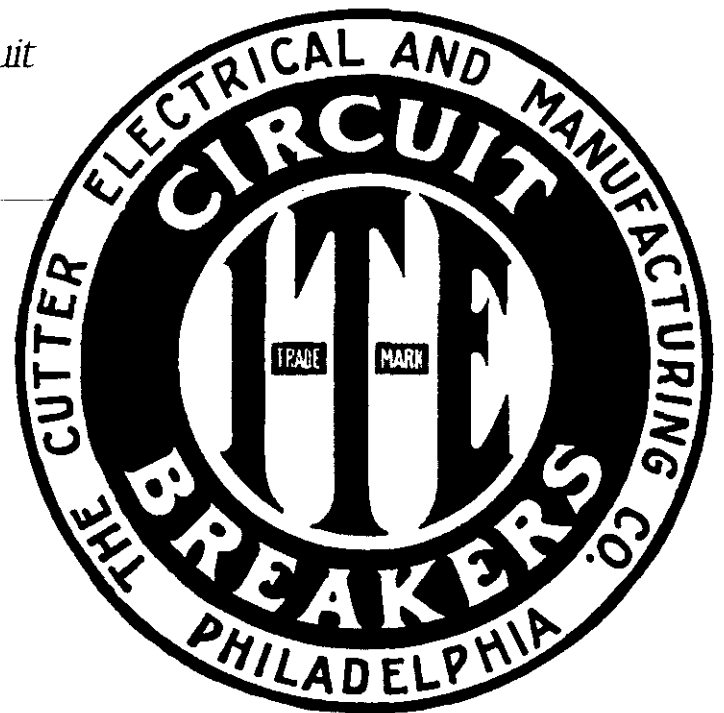
ITE



SPD T



1928
I-T-E Circuit
Breaker
Company



1968
I-T-E Imperial
Corporation

Imperial

1987
SPD
Technologies

Technologies

1988 marks the 100th anniversary of our company and of a sequence of events which were to revolutionize electrical protection systems technology.

In 1888, Henry B. Cutter, an enterprising inventor with a vision, founded the Cutter Electrical Manufacturing Company in Philadelphia.

After first inventing a unique double-push snap switch, Cutter focused his attention on a better device than a fuse for protecting electrical systems: the circuit breaker.

Thus the roots of SPD Technologies were established.

Now, 100 years later, as the world's foremost manufacturer of military circuit breakers and related electrical systems protection equipment, SPD is the proud bearer of this long heritage of innovation.

And although the names have changed over the years, the overriding

values and objectives remain intact, as the dedicated men and women of SPD approach the next 100 years.

On the following pages we have chronicled the highlights of the first century of circuit breaker developments and of our roots.

It is a recognition of a remarkable record of dedication and achievement, and a confirmation of our intent—in this and succeeding generations—to continue a tradition of excellence.



George M. Gordon

President and CEO

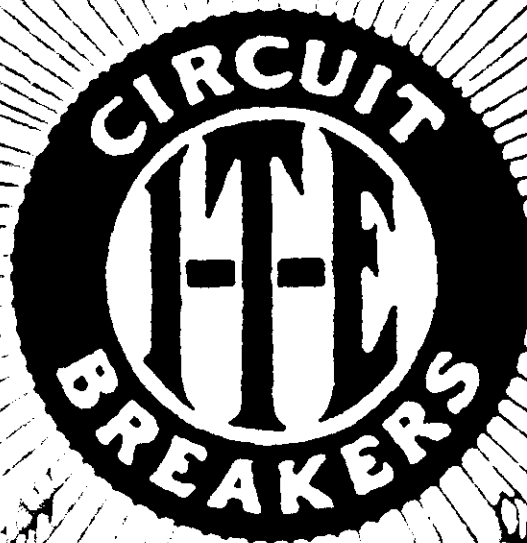


*“To create
and maintain
a reputation; to
build a piece of
apparatus which
the whole round
world admits to
be the best of its
class; to create
a world standard
and keep it
at a level
unapproached
by others; such is
the record of
this company...”*



A. EDWARD NEWTON

*T*HESE VALUES AND OBJECTIVES, which were first stated by A. Edward Newton, president of our predecessor company as it approached its first quarter century 75 years ago, remain applicable as we now mark 100 years and look to the future.



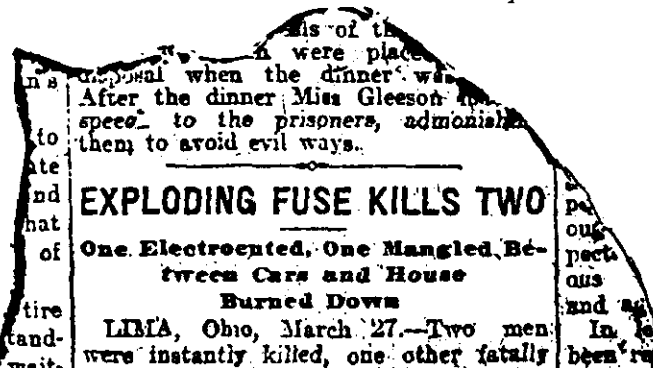
1888

Henry B. Cutter organizes the Cutter Electrical Manufacturing Company on Chestnut Street in Philadelphia.

1890

First circuit breaker incorporating "inverse time element" principle introduced by Cutter, in consultation

"Fuses are more expensive."

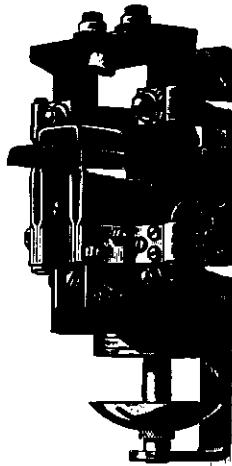


with Walter E. Harrington,
chief engineer for Camden
Railroad.

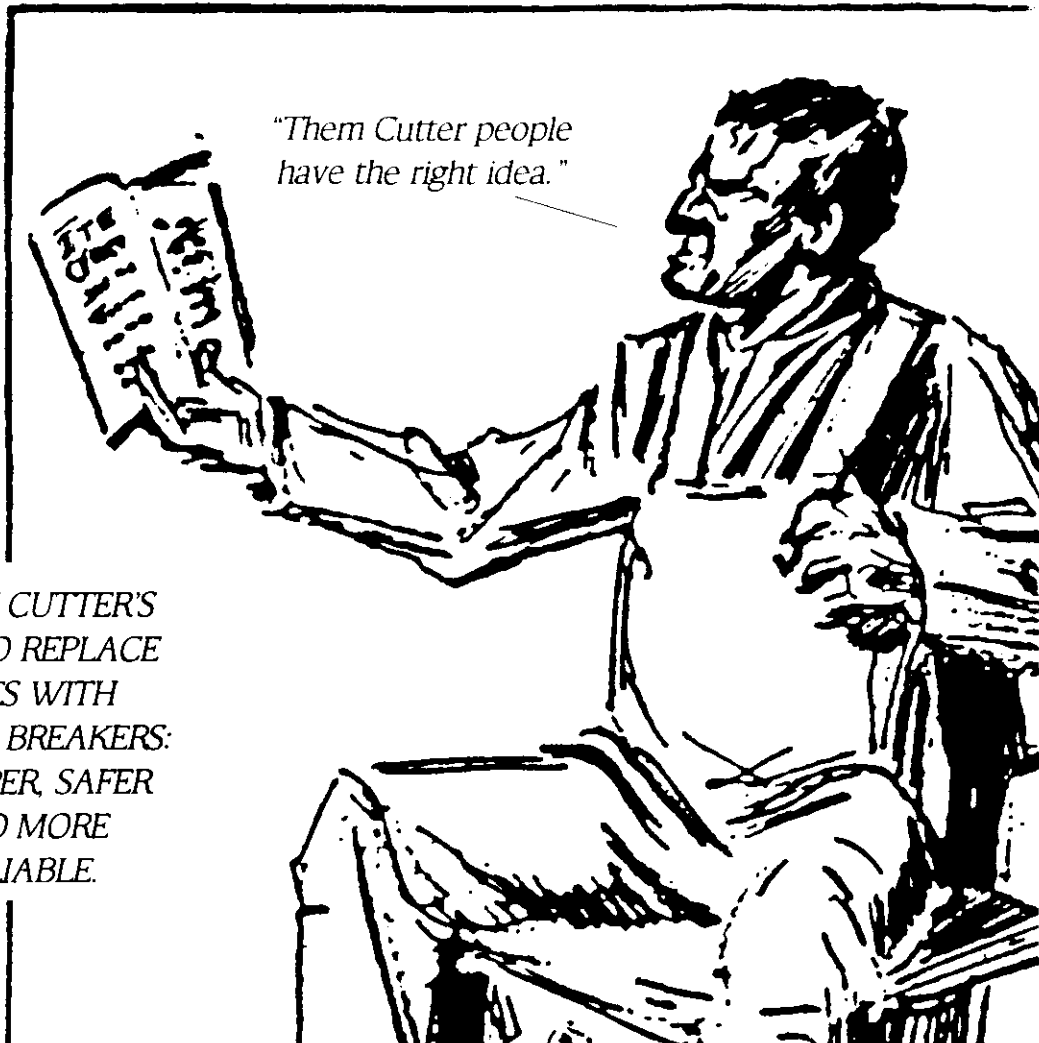
1891

Cutter Electrical Manufacturing
Company is officially incorporated;
production of unique new patented
"double-push" wall switch begins in
expanded quarters at 27 South 11th
Street in Philadelphia.

Inverse Time Element



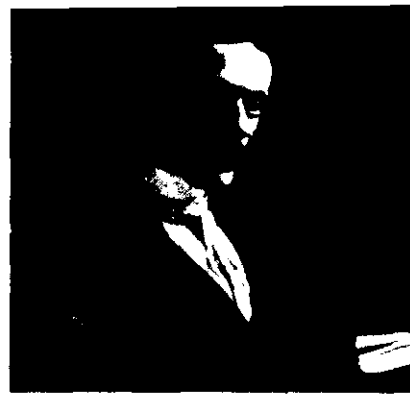
FIRST I-T-E
BREAKER,
CIRCA 1890.



HENRY CUTTER'S
IDEA TO REPLACE
FUSES WITH
CIRCUIT BREAKERS:
CHEAPER, SAFER
AND MORE
RELIABLE.

1894

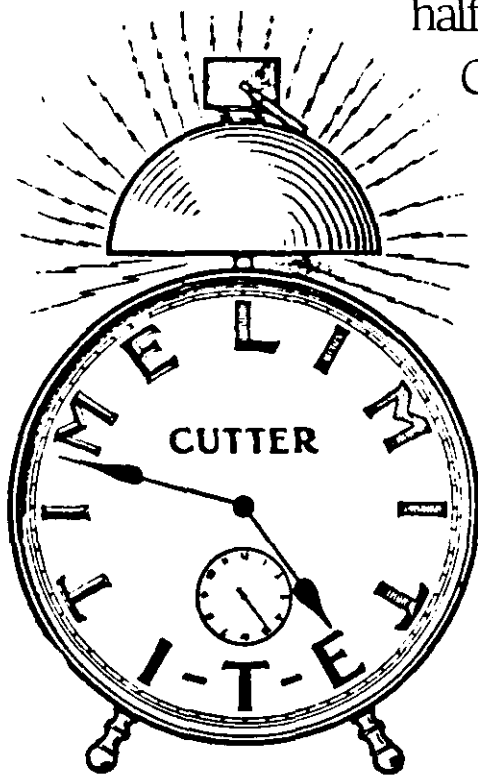
William M. Scott joins the Cutter Company as a draftsman after receiving his degree in mechanical engineering from the University of Pennsylvania.



TOKYO
No. 38, Minami

1895

Young businessman-entrepreneur A. Edward Newton joins the Company and purchases a minority interest with his savings. Newton and Scott forge a relationship which is to span the next half-century of progress for the Company.



1896

Cutter's I-T-E circuit breaker wins international recognition with landmark order from Japan's Tokyo

Handwritten signature or mark.

ELECTRIC LIGHT CO.
Mitsui Bussan Kaisha, Ltd.,
Agents, Japan

Moves The Cutter Electrical & Light Co.
1112 Sansom Street
Philadelphia Pa.
U. S. A.
Via San Francisco
Van Cover



Electric & Light Co.—an historic precedent! Cutter moves operations to 1112 Sansom Street, Philadelphia.

1898

H.C. Champion, Jr. joins the company as a draftsman but is soon promoted to factory manager.



I T E
THE PRINCIPLE
THAT MAKES
CIRCUIT
BREAKERS PRACTICAL

1900

William M. Scott and
A. Edward Newton
purchase the busi-
ness from Henry
Cutter; increased

production
creates the need
for additional space and the
Cutter Company moves to 19th
and Hamilton Streets,

Philadelphia, where it would reside
for the next eight decades.

1904

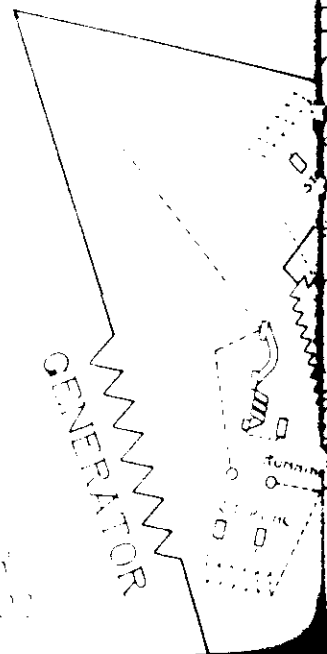
Cutter purchases rights to a
British device embodying the
“inverse time element” principle
and introduces the “I-T-E”



A CLOSE-
UP OF THE
MACHINE
WHICH HAS
SEEN
SERVICE
(From a 1902
I.T.E.
Catalog.)



19TH
AND HAMILTON
STREETS
FACILITIES



A CIRCUIT DIAGRAM
EXPLAINING
GENERATOR
FUNCTIONING CIRCUIT 1902



trademark to
connote the
landmark concept of
the circuit breaker.



1905

The inverse-time-
element principle is
extended to the

"Dalite," or Direct Acting Limit Inverse
Time Element—the overload delay of
the suction
disc type.

Today nearly
all low-
voltage circuit
breakers use time
delay overloads.

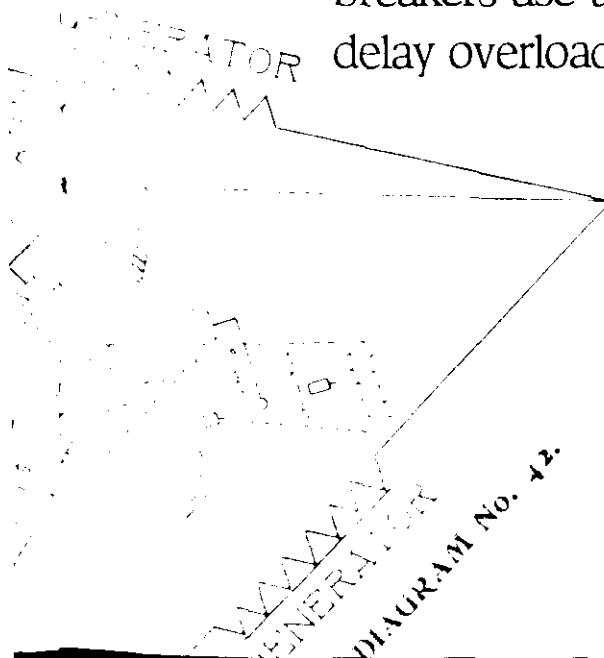
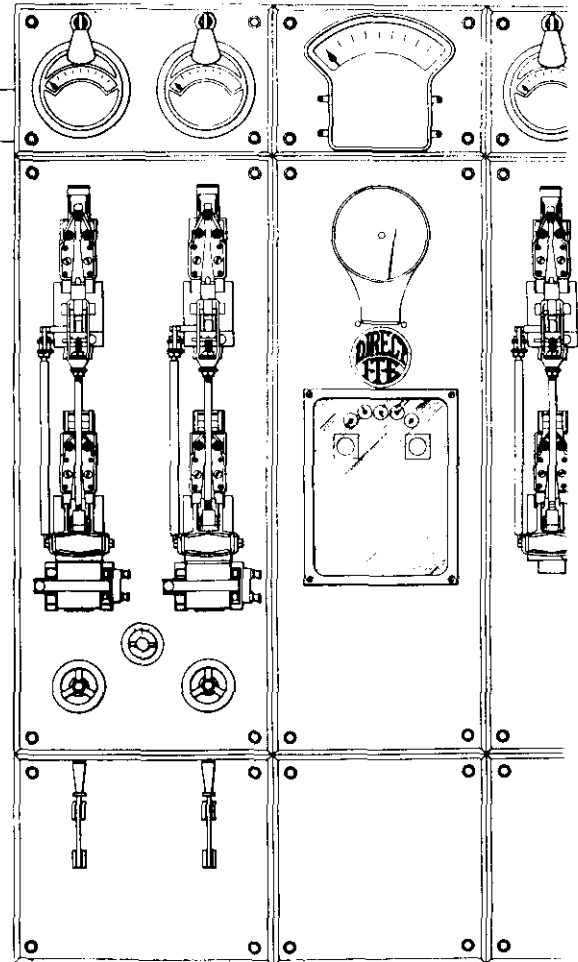
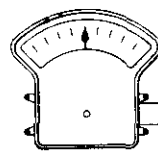


DIAGRAM No. 42.



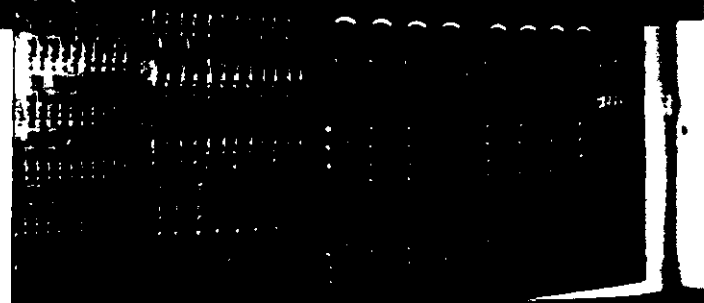
1912

Cutter Company diversifies into the switchboard business with the acquisition of Walker Electric, later changed to Walker

Switchboard Co. This was to pave the way for the landmark introduction of the enclosed circuit breaker.

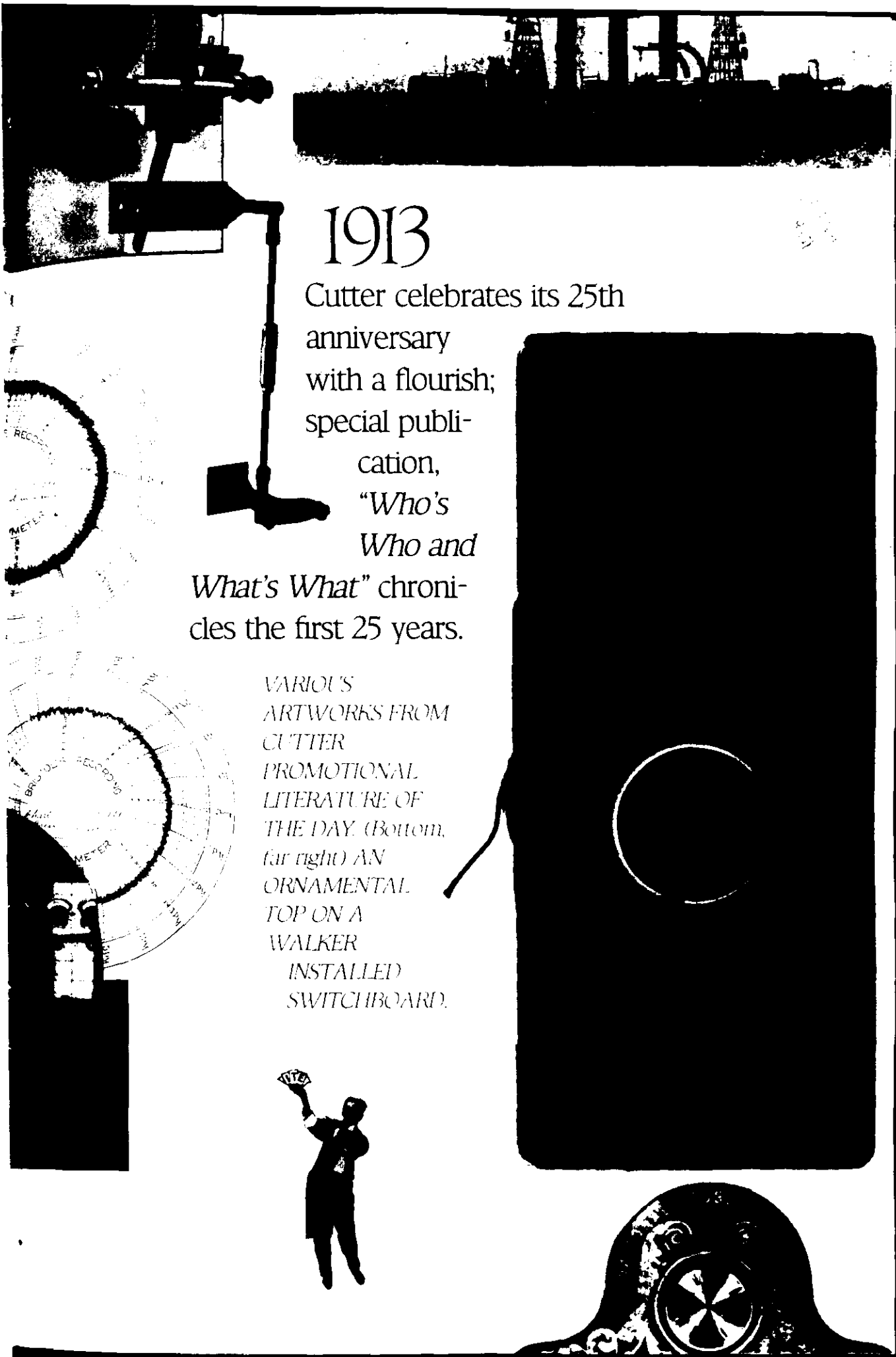


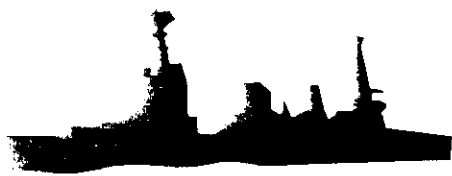
(Above) SWITCHBOARD FOR THE
L.B. STETSON HAT FACTORY.
(Right) SWITCHBOARD FOR THE
BATTLESHIP USS VIRGINIA, BUILT
BY WALKER ELECTRIC CO.



What's What chronicles the first 25 years.

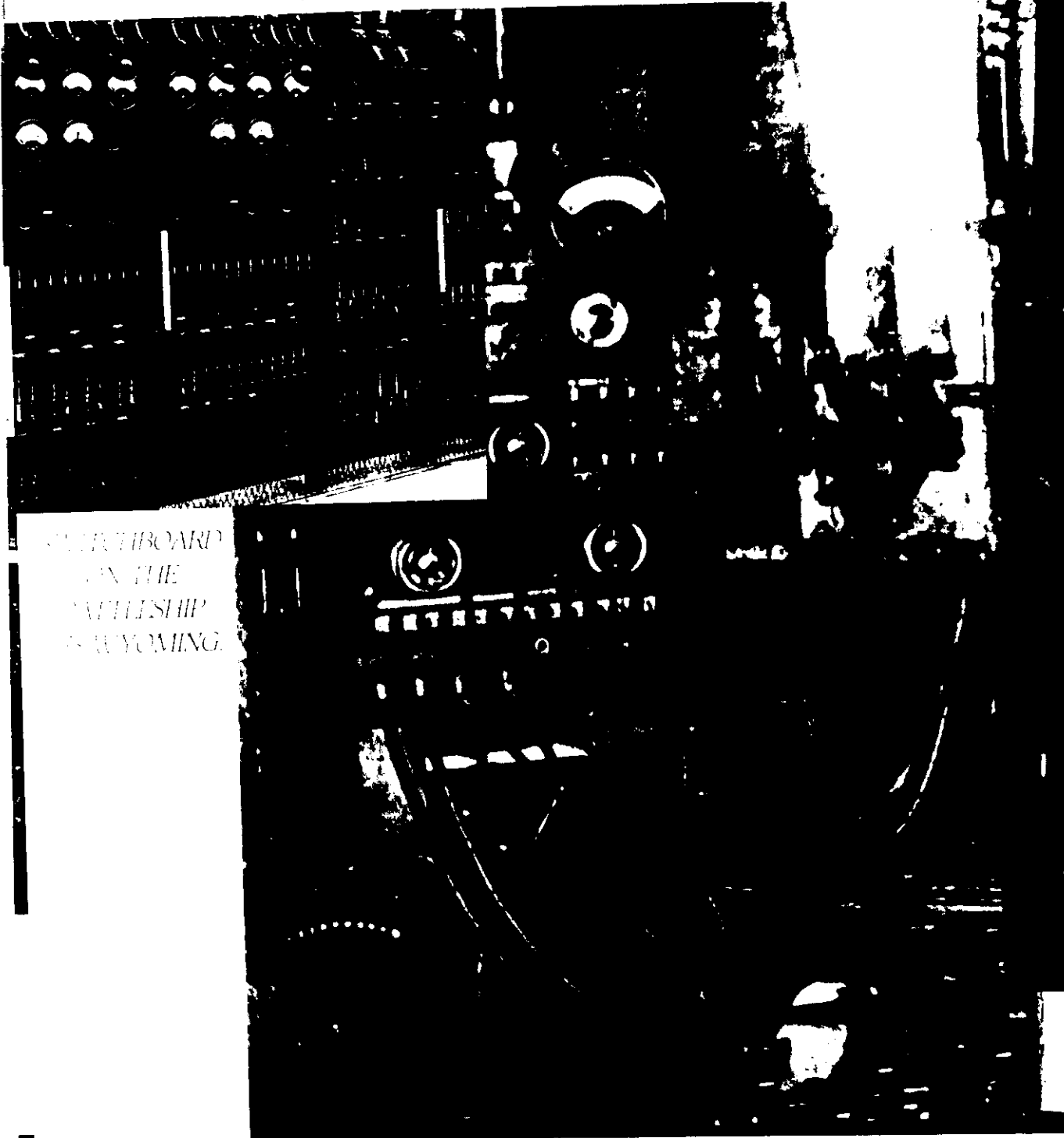
VARIOUS
ARTWORKS FROM
CUTTER
PROMOTIONAL
LITERATURE OF
THE DAY. (Bottom,
far right) AN
ORNAMENTAL
TOP ON A
WALKER
INSTALLED
SWITCHBOARD.





1917

Cutter produces the first shock-hardened
circuit breaker for the U.S. Navy:
a long and proud tradition begins.



ENGINE ROOM
ON THE
BATTLESHIP
USS ARIZONA

THE NEW
FATIGUE ASSOCIATION

ALIGHT & LOW VIEWS OF OUR
FATIGUE ASSOCIATION
LABORATORY TESTING





THE CUTTER CO.

FRANKLIN TRUST BUILDING
22 SO. FIFTEENTH STREET
PHILADELPHIA, PA.

LENN O. MORROW
DISTRICT MANAGER

BELL PHONE, LOCUST 8070

ER CO.

FRANKLIN TRUST BUILDING
22 SO. FIFTEENTH STREET
PHILADELPHIA, PA.

1922

New "U-Re-Lite" air circuit breakers—among the first totally enclosed in an insulated steel box—were introduced.

1926

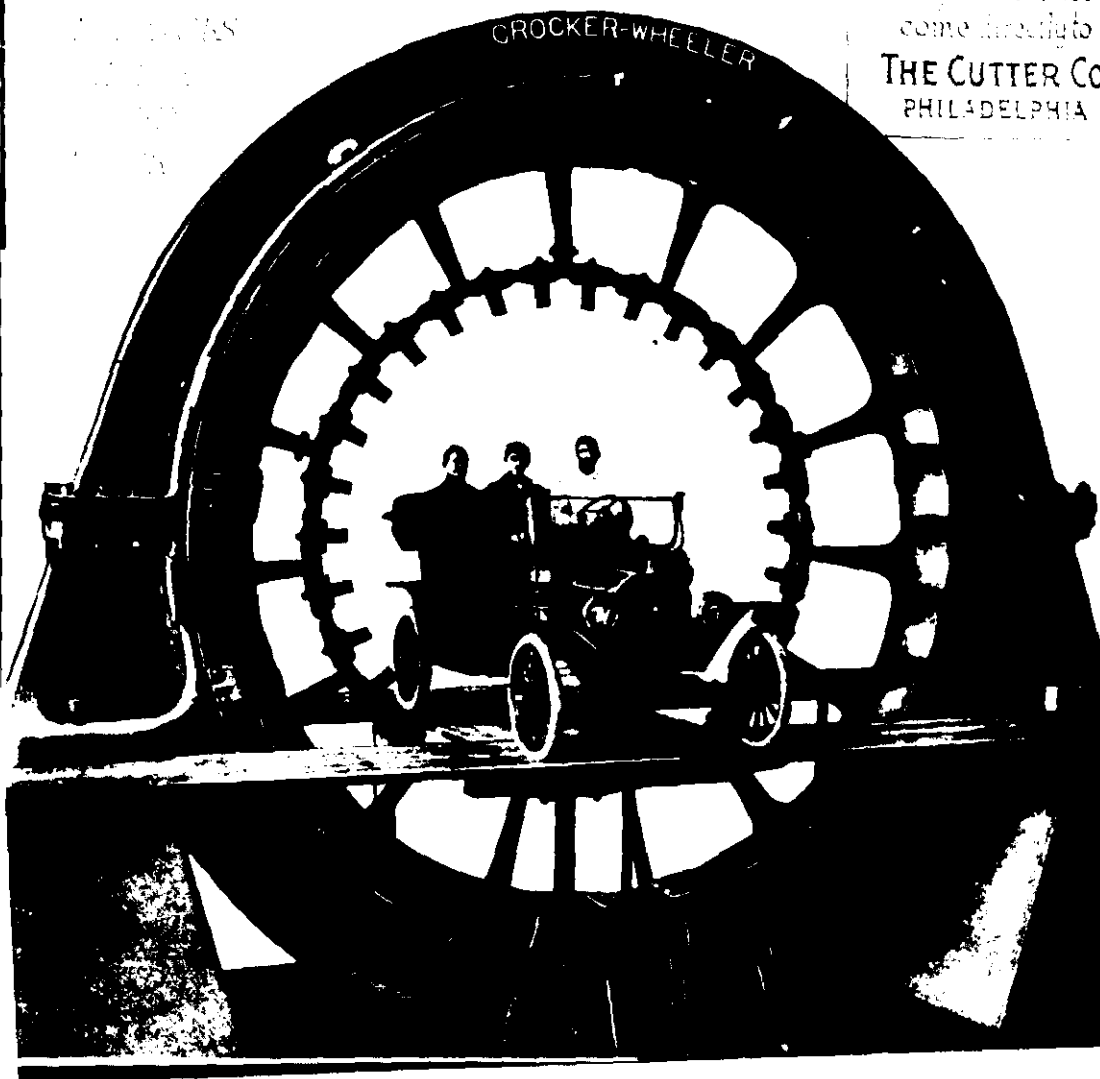
More innovation: Cutter engineers design first

PROTECTION
UP TO DATE

Fuse
Blows

When a fuse blows
Why take useless
steps? Why not
come directly to

THE CUTTER CO.
PHILADELPHIA



U-RE-LITE

the



Circuit Breaker in THE steel box

steel-encased
circuit breaker
and bus

structure—the

“Multumite”. Future company
president William M. Scott,
Jr. is hired as an apprentice.

1927

A. Edward Newton moves from
president to chairman of the board;
William Scott succeeds him as presi-
dent, after having served as treasurer
and general manager since 1900.

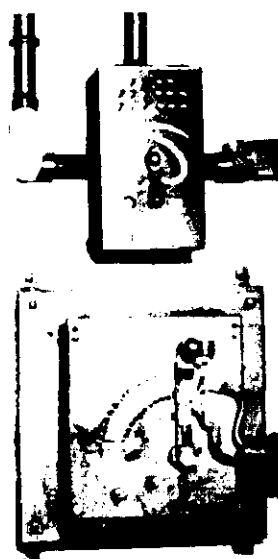
FIRST TO THE LEFT

THEN TO THE RIGHT



TURN THE
HANDLE AND
U-RE-LITE
YOU'RE RIGHT

TO OPEN
PUSH THE KNOB





1928

Company name changed to I-T-E Circuit Breaker Company in recognition of growing importance of inverse time element principle.

1929

Boom years turn to bust. I-T-E braces to endure the Great Depression with a strong financial foundation.

1933

I-T-E developed the first molded-case circuit breaker—another new era in electrical protection systems technology is born.

1935

More new technology which was to withstand the test of time: development of the first massive

*DETAIL OF THE I-T-E
CIRCUIT BREAKER TYPE S,
3 POLE, 2 COIL, WITH
MIN ARC-FIT PARTIERS,
RANGE 5-200 AMPERES,
CIRCA 1930.*

solenoid to provide electrical closing of high-current circuit breakers.

1936

Further expansion in advanced-design circuit breakers and switchgear:

I-T-E acquires Automatic Reclosing Circuit Breaker Company from Nash-Kelvinator.

1938

I-T-E marks its Golden Anniversary; advances the state-of-the-art once again, with the development of an air magnetic circuit breaker for 5000-volt ac service.

1940

Independent Electrical Switchgear Union (E.S.U.) begins representing I-T-E workers.

FLAGSHIP OF THE UNITED STATES LINE FLEET, THE S.S. AMERICA FIRST SET SAIL AUGUST 10, 1940, EQUIPPED WITH STATE OF THE ART I-T-E BREAKERS.







1941

World War II, and I-T-E expands its role as the foremost supplier of circuit breakers to the U.S. Navy. Several landmark technical breakthroughs distinguish I-T-E's support of naval combatants.

1942

William M. Scott, Jr. is named president of I-T-E Circuit

Breaker Co., upon the death of his father, who had served as president since 1927 and had been instrumental in the company's growth since 1900.





1943



I-T-E receives first of two coveted "E for Excellence" awards for noteworthy performance in production and delivery of circuit breakers to the Navy.



R.J. WENSLEY, GENERAL MANAGER OF THE PHILA. OFFICE, TELLS ROBERT WOODROW HE WILL RECEIVE AN "E" PIN FOR PRODUCTION EXCELLENCE.

1944

I-T-E pioneers new overcurrent devices with multiple time delay functions—an innovation which continues to



THE
TOOL
SHOP

VIEW OF THE
AND "K" BUILDING
FROM HAMILTON
STREET, CIRCA 1944



distinguish SPD in the 80's;
significance of time delay innovation was
such that famed U.S. Navy Admiral
Hyman Rickover (then a Captain) wrote
a technical article on the subject.



1945

I-T-E reflects on a proud and patriotic
effort during World War II and prepares
for the adjustment to reduced peace-
time output; 1,236 I-T-E employees
joined the nation's armed forces, 20 gave
their lives for their
country.

A SCENE
FROM A
POST WAR
COMPANY
HONOR
CEREMONY



THE I-T-E COMPANY
 1000 WEST 10TH AVENUE
 DENVER, COLORADO 80202
 (303) 733-1000
 FAX (303) 733-1001
 WWW.ITECIRCUITBREAKERS.COM

1946

Advances in metal enclosed switchboards are developed by I-T-E in recognition of higher energy loads and concern for safety of personnel; post-war years see the evolution of the KA, KB and KC generations of circuit

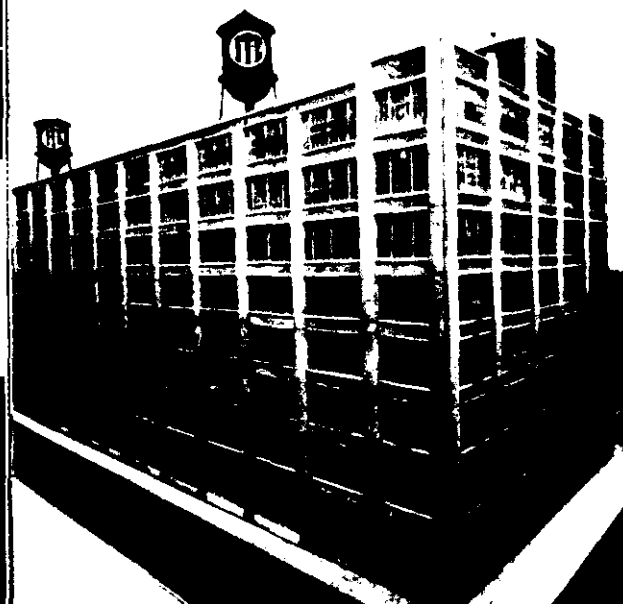
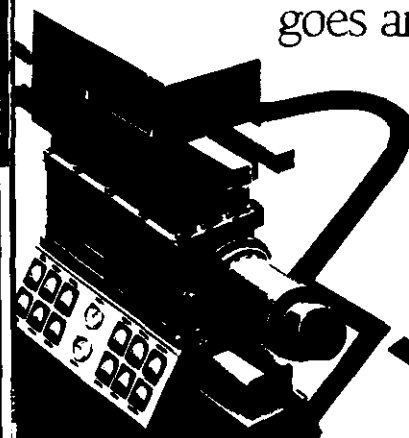
breakers, amplifying on the revolutionary LX technology.

1947

After 17 years of consolidated operation, molded-case circuit breakers are separated from

power circuit breakers and switchgear and is formed as a separate division (stay tuned: what goes around comes around).

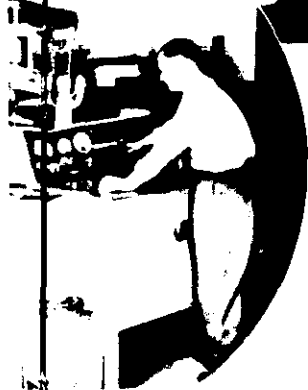
FRONT VIEW OF THE
 I-T-E TYPE KB 600 VOLT
 AC AIR CIRCUIT BREAKER
 WITH THE THEN NEW
 METAL-ENCLOSING
 CIRCUIT BREAKER





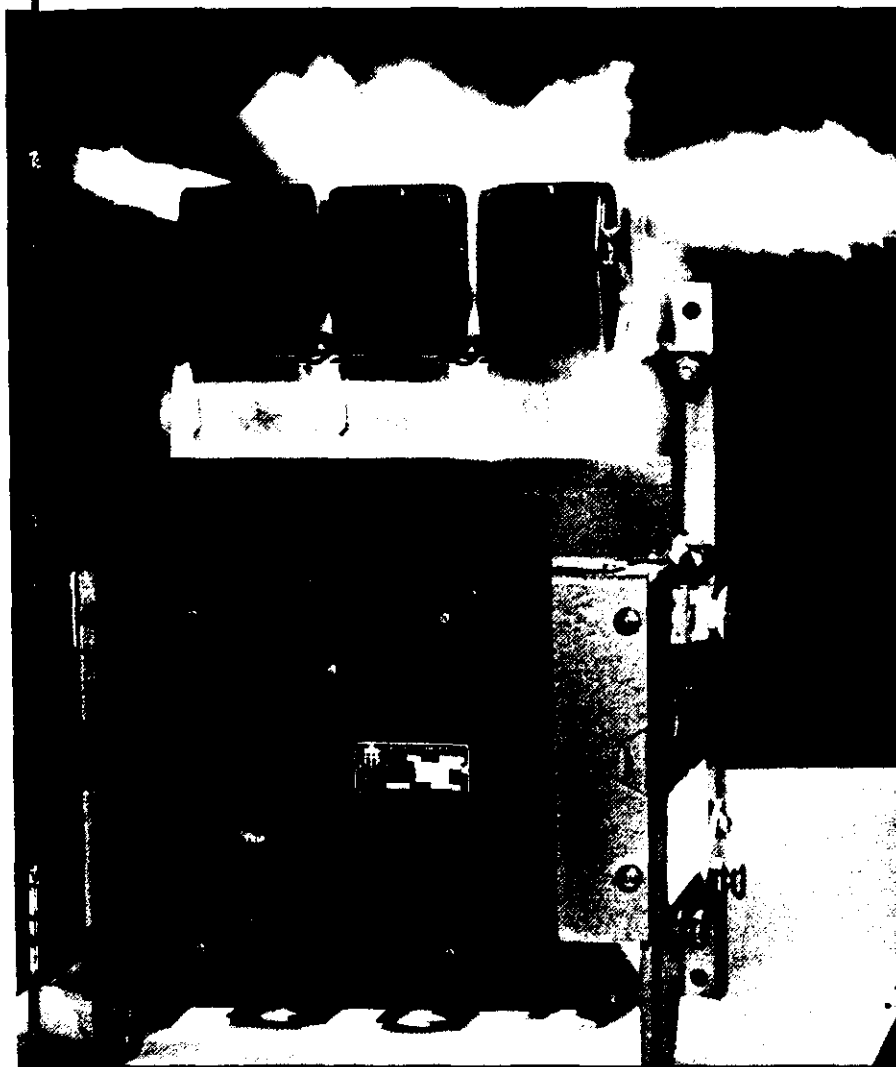
1952

I-T-E developed the concept of marrying circuit breakers and fuses for high interrupting capacities. Using the current-limiting fuse, I-T-E unveils the LF series of Navy circuit breakers.



1958

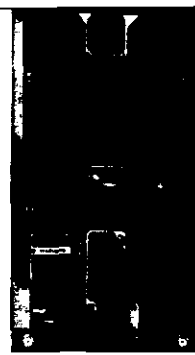
Low-voltage circuit breakers modernized with the K-line technology.



K-LINE BREAKER
UNDERGOING
SHORT CIRCUIT
INTERRUPTION
TESTING

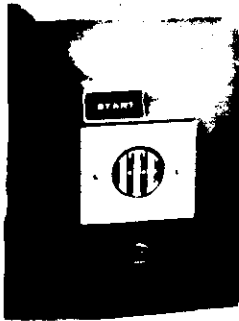
1960

I-T-E developed the first medium-voltage circuit breakers, using new stored-energy mechanism.



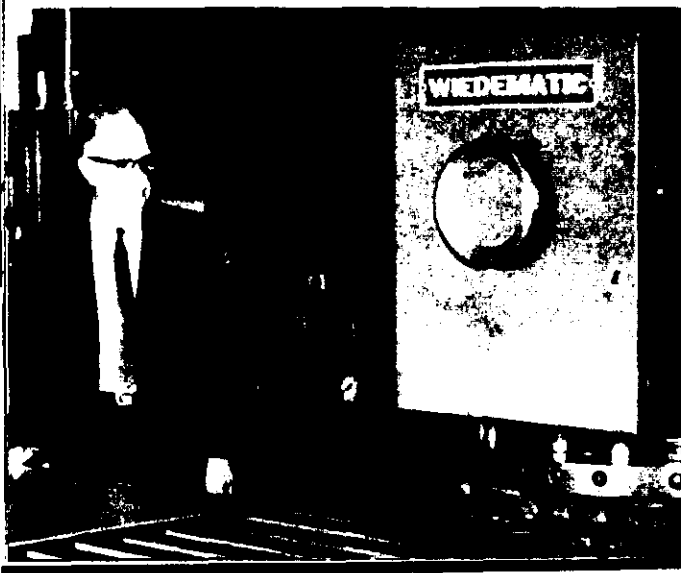
1963

I-T-E commemorates 75th anniversary; introduces the first stored-energy 900-ampere power circuit breaker for the U.S. Navy; an era of

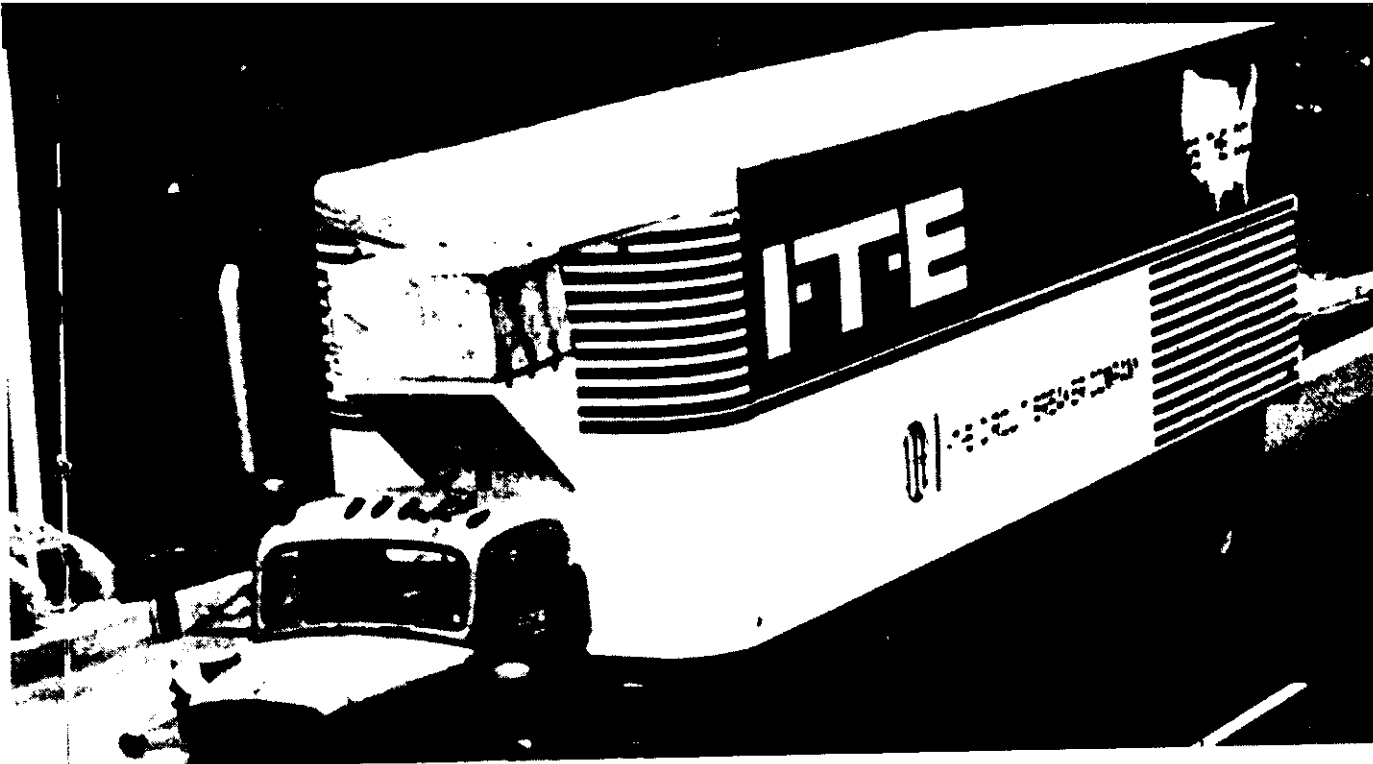


1963 BROUGHT THE RELEASE OF A PROMINENT NEW PRODUCT: THE I-T-E MOTOR CONTROL.

PRESIDENT WM. SCOTT, JR. EXAMINES NEW EQUIPMENT IN THE SWITCHGEAR DIVISION THAT HELPED TO STREAMLINE THE MANUFACTURING PROCESS.



INSPECTING THE CRAFTSMANSHIP OF THE SWITCHGEAR DIVISION.



major innovations in military circuit breakers is underway.

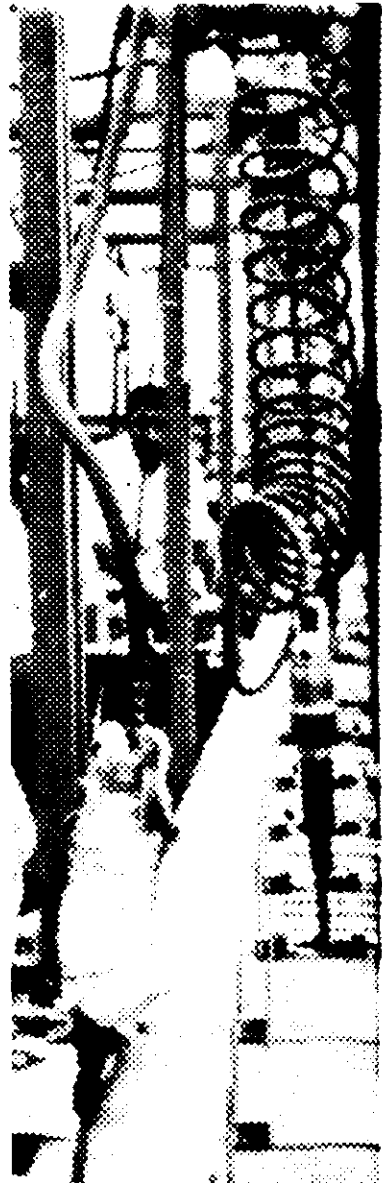
1967

W. Maxwell Scott, Jr. resigns as president of I-T-E after spearheading the company for 25 years; he is succeeded by Harry L. Buck.



1968

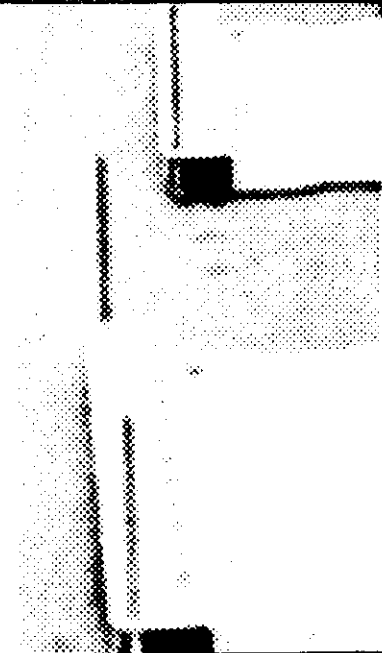
I-T-E responds to the Navy's need for higher voltage requirements with the development of the 4160 volt circuit breaker; the first military circuit breaker with electronic overcurrent control and the first to utilize the metal plate arc chute; I-T-E initiates the first use of glass reinforced polyester for insulation and support material in Navy switchgear; the era of spray-tight switchgear for nuclear submarines is born. Switchgear operations both Navy and commercial move to Chalfont, PA;



ITE Imperial Corporation

I-T-E Circuit Breaker Company merges with Imperial Eastman Company of Chicago to form I-T-E Imperial Corporation—the evolution in names continues, but the continuity of purpose endures.

FOR LOAD CENTER ASSEMBLY LINE IN ALL NEW
OPERATION PLANT. SURVEYING EQUIPMENT
ASSEMBLY LINE IN NEW 145,000 SQ. FT. PLANT
NEARBY AT CHALFONT, PENNSYLVANIA





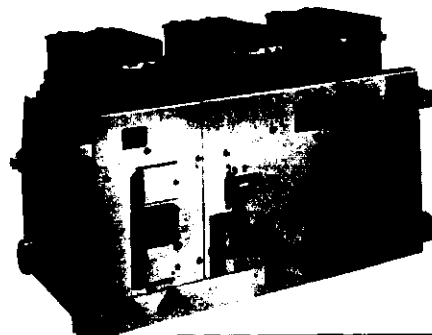
1969

Several major innovations in rapid succession distinguish I-T-E as the foremost developer of advanced electrical protection systems for the Navy; introduced during this landmark year was a new electronic sensing overload device, the first 5KV circuit breaker for application on a variable frequency and variable voltage range; 350MVA, 5KV circuit breaker was stacked two-high in a switchgear module—a first! E.S.U. votes to affiliate with the United Auto Workers (UAW); Company extends recognition to Local 1612.



1972

I-T-E Imperial's commitment to leadership in military circuit breakers is dramatized by the development of a new 2000-ampere breaker and the innovative 6400-ampere high-current ac breaker.



ENVIRONMENTAL
CONTROL
CHILDK
WATER FOR
PLANT
MONITORING
ELECTRIC
CON
SIS

1974

Small air circuit breaker division leaves 19th and Hamilton and is relocated to Erie Avenue, Philadelphia.

1975

Company engineers introduce the first application of electronic overcurrent control on a dc 4000-ampere circuit breaker, extending I-T-E's technological leadership.

1976

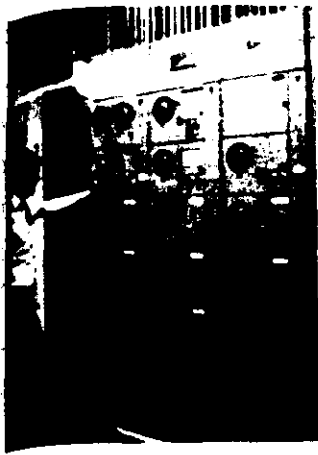
Gould Inc. acquires I-T-E Imperial and moves its corporate headquarters to Chicago—the evolution continues with yet another new name on the door.

1979

Gould signs 50% joint venture with Brown Boveri & Company Ltd. (BBC) including large

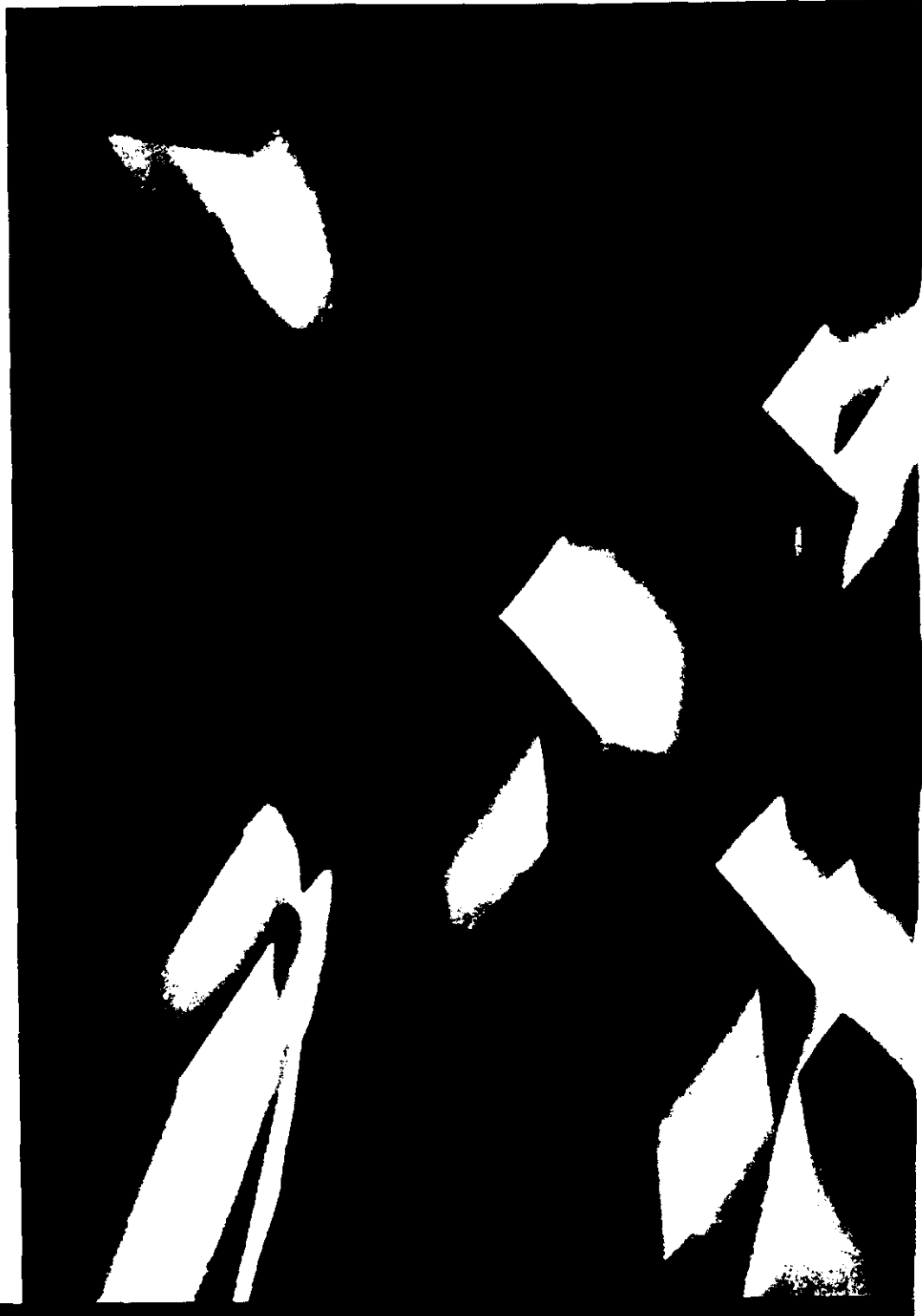


GOULD BROWN BOVERI BOASTED
A "TOTALLY REDESIGNED LK SERIES"
CIRCUIT BREAKER AFTER THE MERGER



air circuit breaker and switchgear operations; company co-workers who would later be reunited are now separated.

IMAGERY
FROM
GOULD
INC.'S 1976
ANNUAL
REPORT.



1980

Navy breaker unit at 19th and Hamilton moves to Horsham, PA, closing the 19th and Hamilton location.

1981

Joint venture between Gould and Brown Boveri dissolved. Brown Boveri acquires 100% interest in commercial power circuit breakers and Navy switchgear operations; Navy power breakers merge with molded-case circuit breakers within Gould's Distribution and Controls Division.

1982

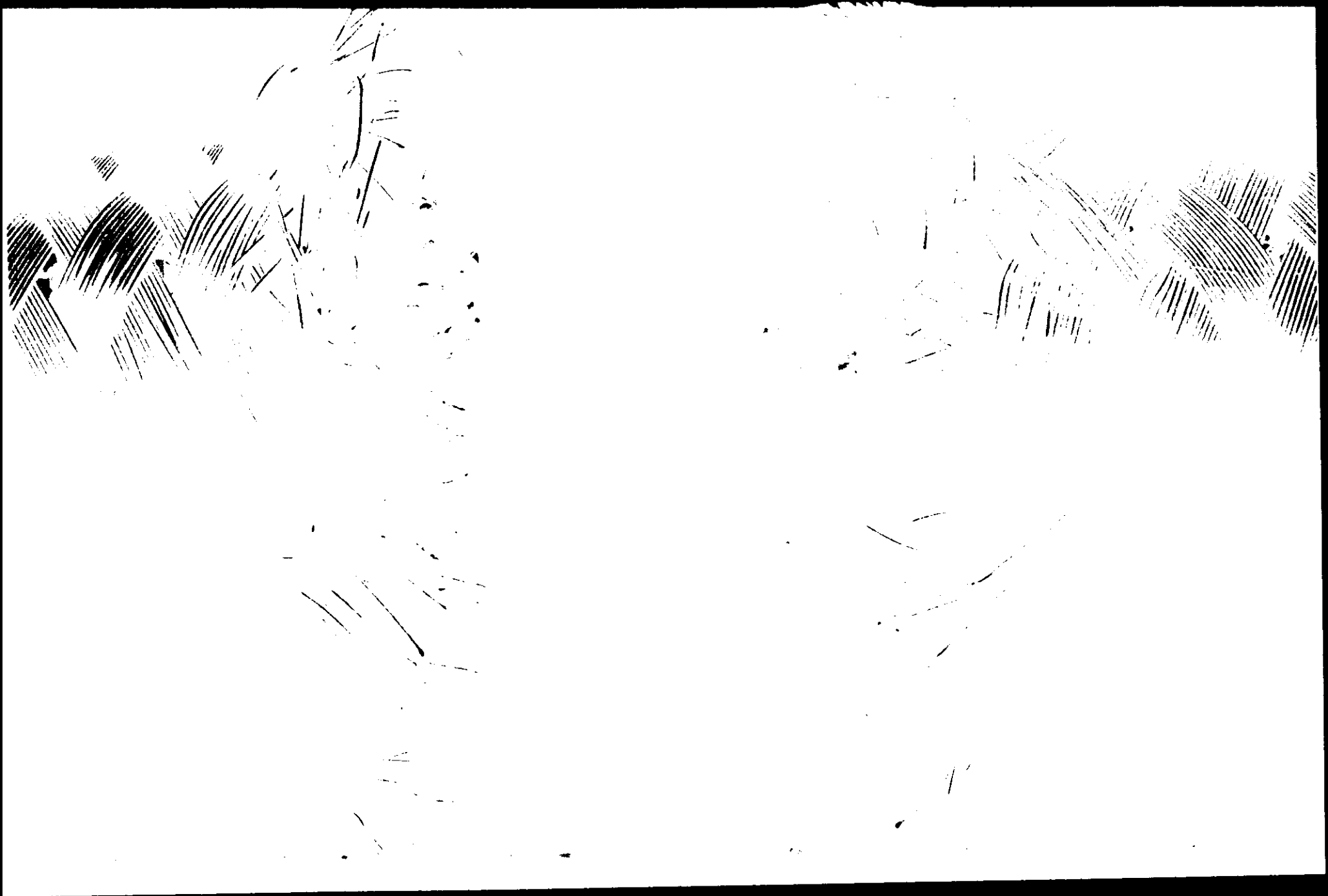
Gould spins off Distribution and Controls Division to Siemens except for Navy circuit breaker operations.

1983

Systems Protection Division is established as part of Gould's Defense Group in renewed focus on military circuit breakers.

1984

Brown Boveri closes Chalfont plant and moves Navy Switchgear to Montgomeryville, PA.

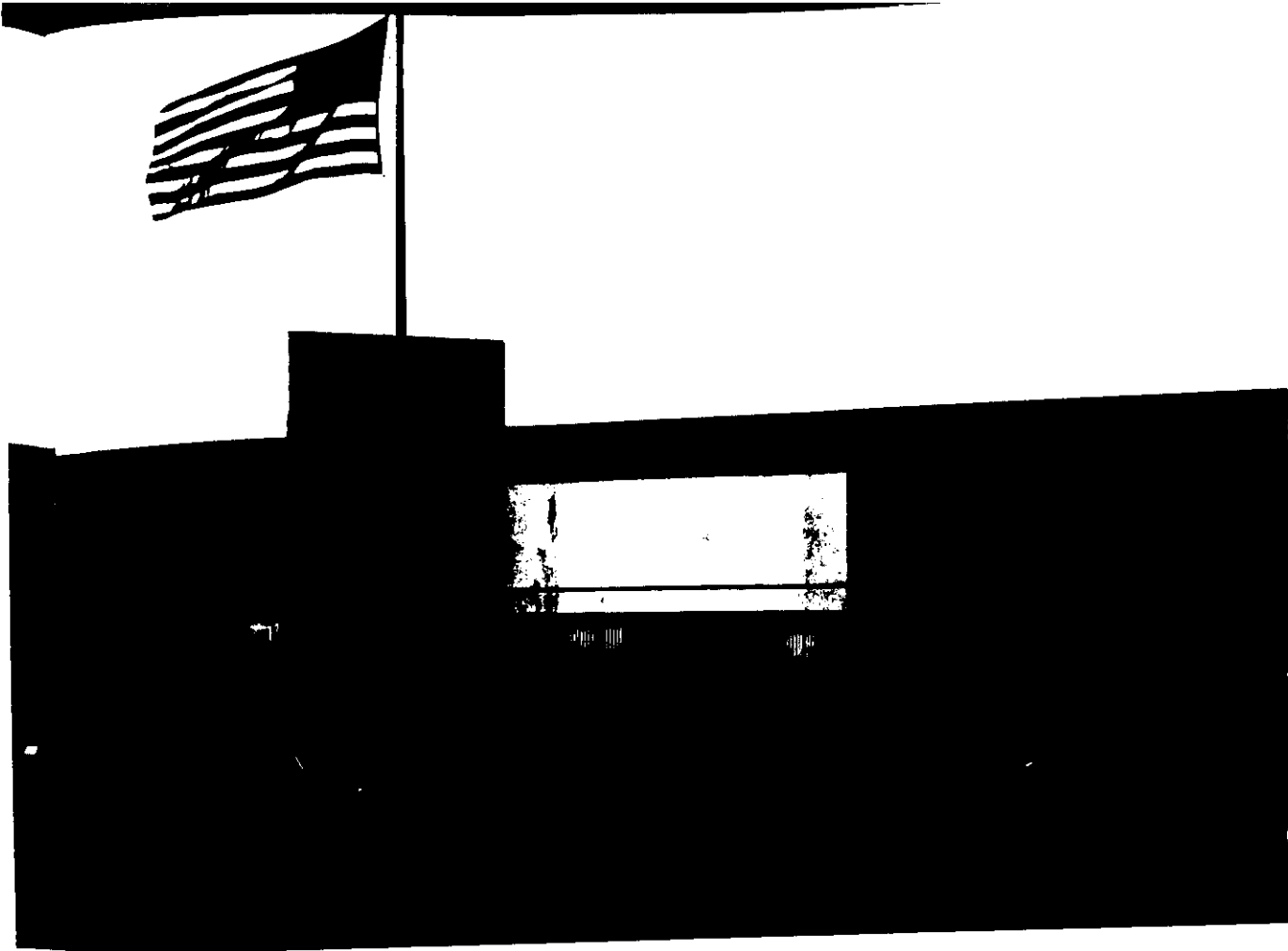




1985

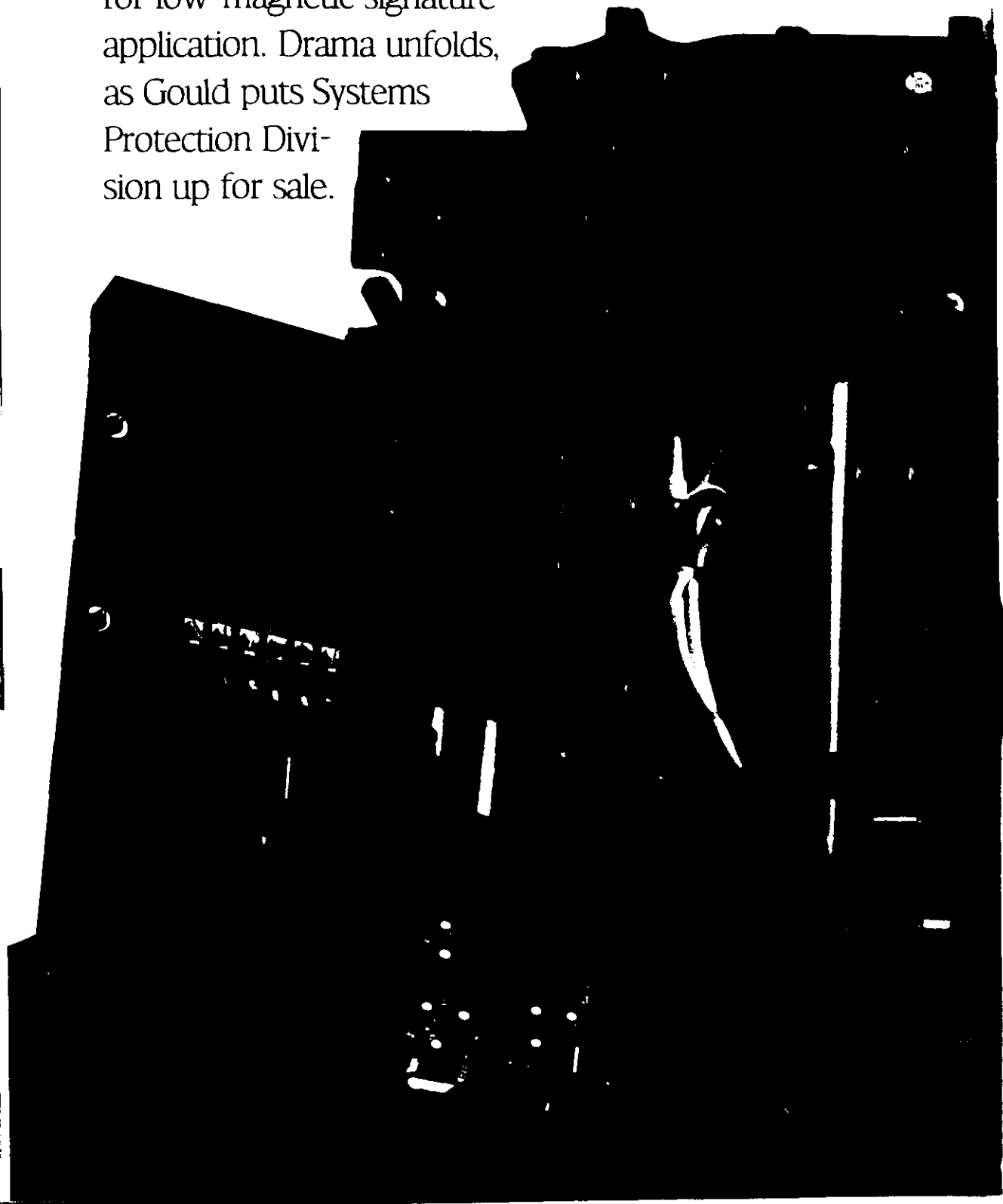
Systems Protection Division operations, then divided between Philadelphia and Horsham, are consolidated in modern new facilities on Roosevelt Boulevard in northeast Philadelphia; civic leaders commend company, pledge support.

AT THE RIBBON-CUTTING CEREMONY FOR THE NEW ROOSEVELT BOULEVARD PLANT, SHOWN ARE (l to r) G. CRAIG SCHELTER, EXEC. VP., PHILA. INDUSTRIAL DEVELOPMENT CORP., BRIAN J. O'NEILL, PHILA. COUNCILMAN, 10TH DISTRICT, SPD PRESIDENT GEORGE M. GORDON, MAYOR W. WILSON GOODE, DAVID BRENNER, PHILA. DIRECTOR OF COMMERCE, GEORGE P. MILLINGTON, FORMER VICE CHAIRMAN, GOULD INC. AND HENRY J. PEPPERS, EXEC. VP., GOULD INC.



1986

Although the name changes, the pattern of innovation in military circuit breakers continues, with the introduction of the first three-pole circuit breaker for low-magnetic signature application. Drama unfolds, as Gould puts Systems Protection Division up for sale.



1987

City leaders, union and employees join together in endorsing a bid by management to purchase the operation. After an emotional roller-coaster ride, rival bidder and competitor Westinghouse withdraws, and the management

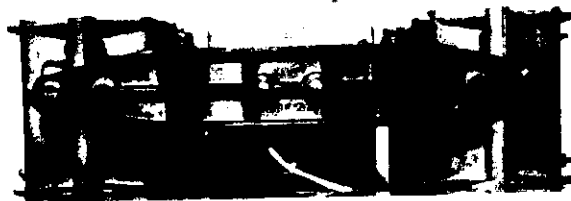
team successfully purchases the company. SPD Technologies is born! The new spirit of innovation, management's intent to diversify and grow quickly becomes apparent with the announcement of a revolutionary new computerized all-cell battery monitoring system.

*2000 AMPERE AC
CIRCUIT BREAKER
WITH ELECTRONIC
OVERCURRENT
PROTECTION SYSTEM.*

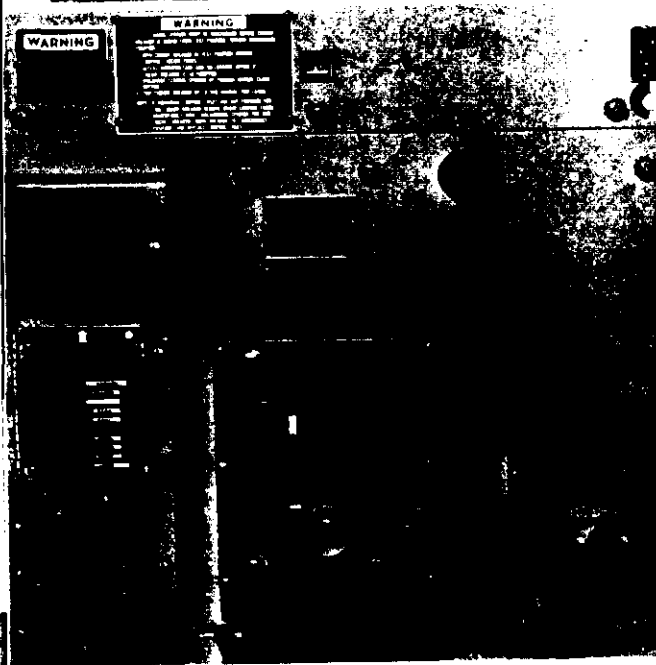


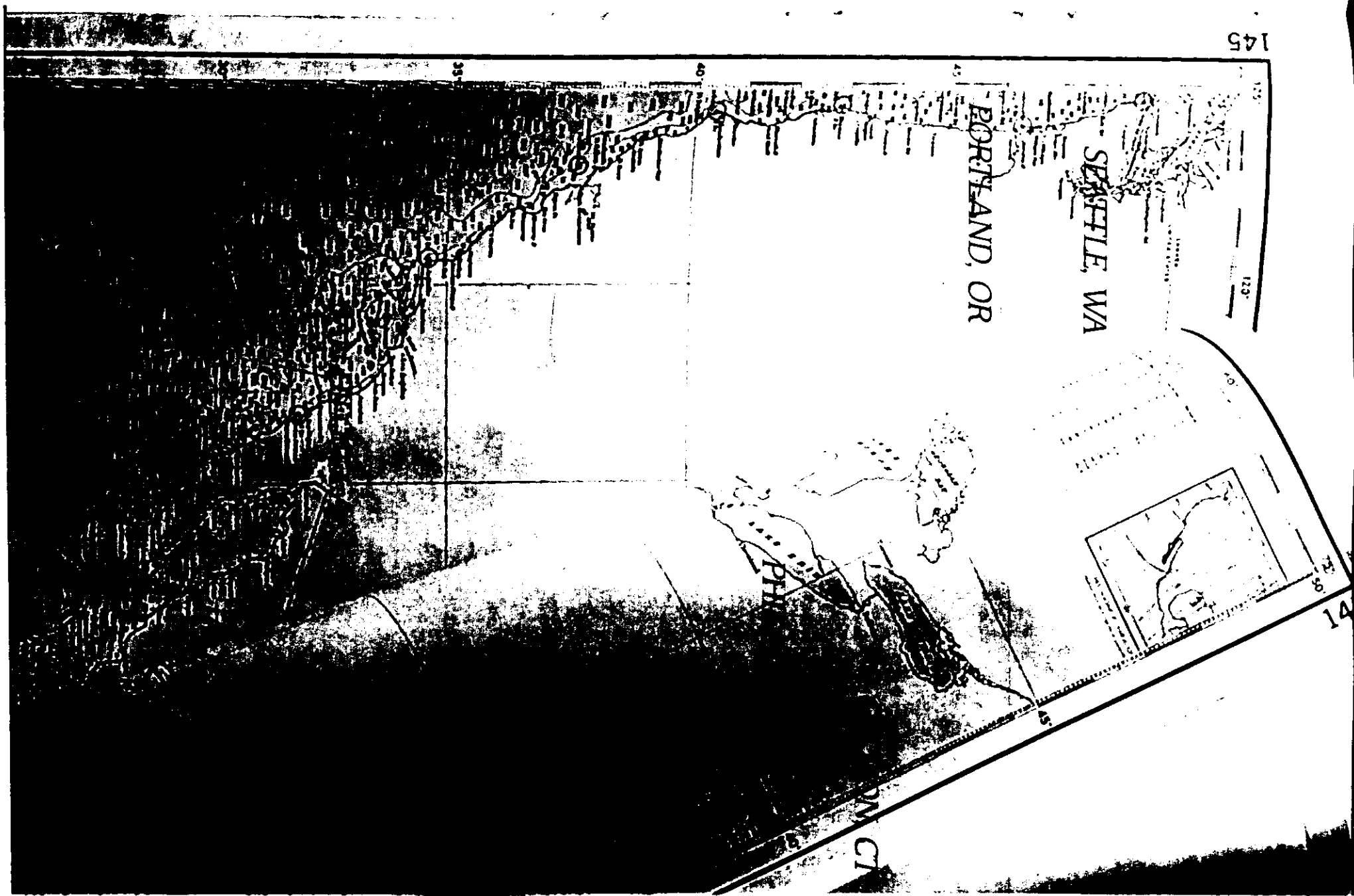
1988

The pace of exciting developments accelerates. First, SPD announces Xactron,[®] the world's first electronically-controlled 100 ampere circuit breaker

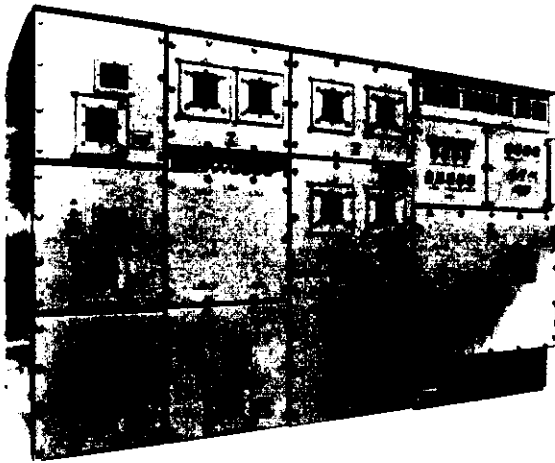


for military applications—a dramatic breakthrough. Then, announcement of a major expansion to create a nationwide service center system covering all major naval home ports.

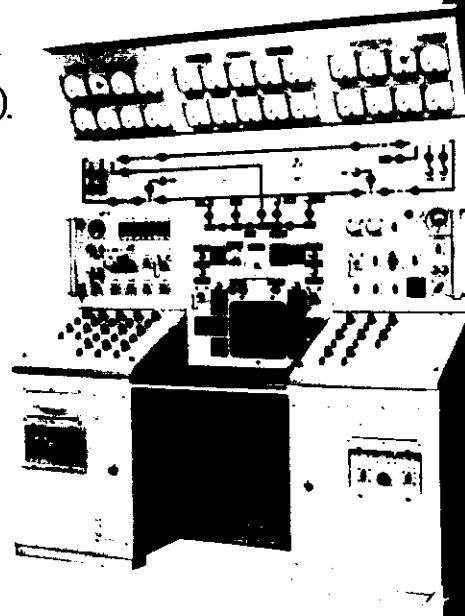




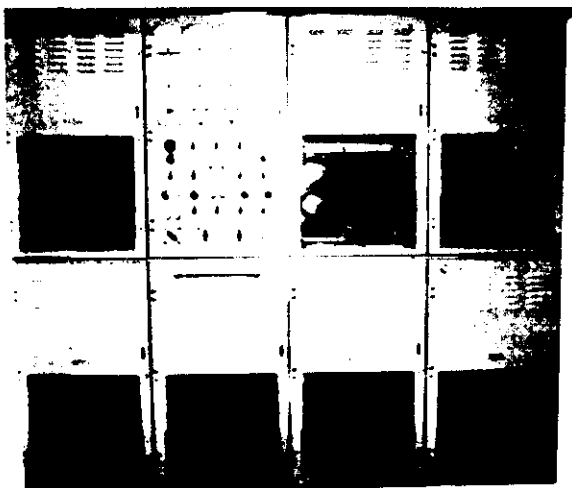
Next, the acquisition of Brown Boveri's
naval switchgear division
(and a return to the fold).



*LOW VOLTAGE SPRAYTIGHT
SWITCHGEAR, FRONT VIEW.*



*ELECTRIC PLANT
CONTROL PANEL.*

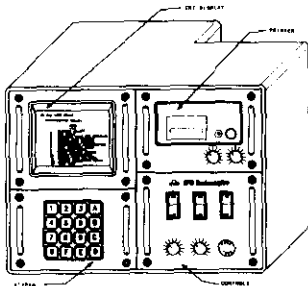


*HIGH VOLTAGE
SWITCHGEAR, FRONT VIEW
WITH CIRCUIT BREAKERS
REMOVED.*





Then, another international breakthrough, with a contract to supply advanced battery monitoring systems to the Canadian Navy. Finally, as this landmark 100-year history is being completed, another acquisition, the PacOrd Division of DynCorp, further enhances SPD's new leadership in overhaul and repair and expands the company's role as the leader in electrical systems protection for the U.S. Navy.

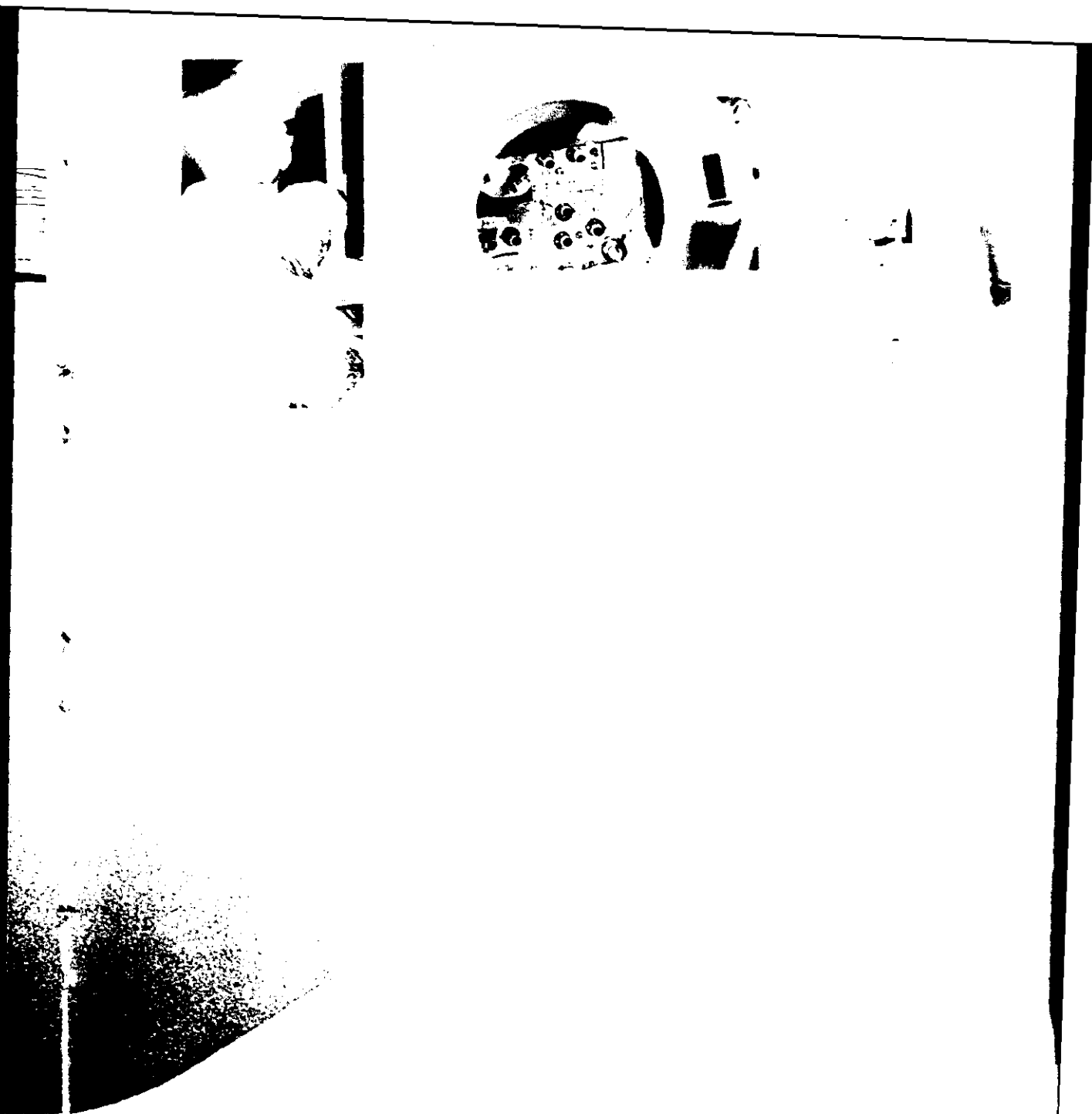






Looking to the Future

After marking a century of innovation, the people of SPD Technologies approach the second 100 years with a keen sense of their proud heritage and a renewed commitment to sustaining and building upon the traditions of the past.



As a team, we are dedicated to serving our customers in the future with the same dedication and energies which distinguished our predecessors, and to bequeathing to the next generation values and achievements that will make them similarly proud to continue the tradition.



Acknowledgements

I would like to extend my sincere thanks and appreciation to all those individuals who contributed to making this project the success that it has become. Specifically, I wish to acknowledge the assistance of the following:

William M. Scott Jr. "MAX"—who provided insight and assistance on the company's roots.

William M. Scott III "BUCK"—who provided a limitless supply of reading material and information on the company.

John I. Ykema—who contributed importantly to the sections on product development.

With sincere appreciation,

*Sherrie J. String,
Editor & Researcher*

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement dated as of April 30, 1987 (this "Agreement") by and between GOULD INC., a Delaware corporation with its principal place of business in Rolling Meadows, Illinois ("Seller") and SPD TECHNOLOGIES INC., a Delaware corporation with its principal place of business in Philadelphia, Pennsylvania ("Purchaser").

WHEREAS, Seller, among other things, is engaged in the business of the design, manufacture, marketing, supply, service, repair, and sale of naval spec switchgear, circuit breakers and related projects, which activity is referred to herein as the "Business";

WHEREAS, the Business is conducted through Seller's Systems Protection Division with headquarters located in Philadelphia, Pennsylvania (the "Division"); and

WHEREAS, Seller desires to sell, and Purchaser desires to buy, all of Seller's assets used or held for use in the conduct of the Business, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in mutual consideration of the covenants and agreements set forth herein, Seller and Purchaser agree as follows:

1. ASSETS TO BE SOLD.

- 1.1 Assets To Be Transferred. On the Closing Date (as hereinafter defined), Seller will convey, transfer, assign and deliver to Purchaser, free and clear of all liens and

encumbrances, except as set forth in the Disclosure Schedule (as hereinafter defined), and Purchaser will accept and acquire, all the business, property and assets, real and personal, tangible and intangible, of every kind and nature, and wherever situated which are owned by Seller, or in which Seller has any right or interest, and which are used or held for use in the Business, as of the Closing Date, except those provided in paragraph 1.2 (the "Assets"), including, without limiting the generality of the foregoing, the following:

1.1.1 Inventories of raw materials, work-in-process and finished goods (collectively, the "Inventory").

1.1.2 Manufacturing, transportation and distribution equipment, including production, transportation, packing and/or delivery machinery and/or equipment, and spare parts, accessories and supplies relating to the foregoing, dies, tooling, tools, motor vehicles, office equipment and supplies, including furniture and fixtures ("Machinery and Equipment").

1.1.3 Seller's right, title and interest in and to:

(i) United States, state and foreign trademark rights, trademark applications, trademark registrations, service marks and trade names, including associated rights and all associated goodwill;

(ii) United States and foreign copyrights, copyright registrations and copyright applications, including associated rights;

(iii) United States and foreign letters patent and patent applications, including associated proprietary rights;

(iv) Patent, copyright, trademark or other licenses and royalties, processing techniques, formulae, trade secrets, know-how, inventions, discoveries, improvements, drawings, plans, operating data, designs, and shoprights; and

(v) Prototypes, fixtures and special purpose laboratory and technical equipment dedicated to electrical circuit protective devices, together with electrical circuit protective devices research, engineering notebooks and process and idea disclosure presently held or maintained by Seller for the Business. The items listed in subparagraphs (i) - (v) above shall be referred to herein collectively as "Trade Rights."

1.1.4 Customer lists and other customer information, sales literature and other selling material, contracts, commitments or orders for the sale of goods ("Customer Lists").

1.1.5 Supplier lists and contracts, commitments or orders for the purchase of raw materials, supplies, components, equipment, packaging material or other items used in the manufacture, distribution or transportation of goods for sale, which are assignable to Purchaser ("Supplier Lists").

1.1.6 Rights under leases (whether of real or personal property) and leasehold improvements ("Leases") and rights under the contracts, licenses and agreements set forth on the Disclosure Schedule (except those designated as being retained by Seller), including without limitation, the Union Contract (as hereinafter defined), and contracts, licenses and agreements of the Division not required by the terms of this Agreement to be set forth on the Disclosure Schedule. The Leases, the aforesaid contracts,

licenses and agreements, and the contracts, commitments and orders described in paragraphs 1.1.4 and 1.1.5 hereof are hereafter collectively referred to as the "Contracts."

1.1.7 Goodwill and going concern value connected with the Business ("Goodwill").

1.1.8 Benefits relating to prepaid expenses which are assignable to Purchaser ("Prepays").

1.1.9 Business records, books of account, files, supplies, petty cash accounts, papers and records ("Records").

1.1.10 Trade and other accounts receivable ("Receivables").

1.1.11 Licenses and permits ("Licenses").

1.1.12 Claims and rights of Seller under contracts, choses in action and other such interests ("Claims"), relating to the Assets or the Assumed Liabilities (as hereinafter defined).

1.1.13 All other properties and assets of Seller reflected on the audited transferable balance sheet of the Division dated December 31, 1986 compiled from the audited balance sheet of the Division for the year ended December 31, 1986 contained in the Financial Statements (as hereinafter defined) included in the Disclosure Schedule (the "Audited Transferable Balance Sheet"), including those items which would be included on the Audited Transferable Balance Sheet except for the fact that such items are fully depreciated or expensed and all other items of a nature customarily carried as assets of Seller of the type reflected on the Audited Transferable Balance Sheet which have been acquired by the Division since December 31, 1986, and except those items which

have been sold or otherwise disposed of in the ordinary course of business since December 31, 1986, and all other properties and assets of Seller reflected on the Final Closing Statement (as hereinafter defined).

1.2 Assets To Be Retained. The provisions of paragraph 1.1 notwithstanding, Seller shall not sell or transfer, and Purchaser shall not purchase or accept:

1.2.1 Cash or cash equivalents of Seller.

1.2.2 Assets of Seller not used or held for use primarily in the Business.

1.2.3 The trade name and trademark "Gould" and "device."

1.2.4 Letter agreement dated September 12, 1986 between Seller and George Gordon, letter agreement dated September 23, 1986 between Seller and Larry Colangelo, and agreement dated July 1, 1986 between Seller and Jack Squires.

1.2.5 Accounts (including interest) which arise out of any transaction between the Division and any other division or affiliate of Seller, and contracts or commitments with or between the Division and any other division or affiliate of Seller, except as disclosed in the Disclosure Schedule or as otherwise set forth in this Agreement.

1.2.6 Books and records of Seller located at its corporate headquarters (provided that Purchaser may obtain copies of books and records relating to the Division, the Business, the Assets or the Assumed Liabilities which are reasonably separable from the books and records of Seller not related to the Division,

the Business, the Assets or the Assumed Liabilities), policies of insurance, contracts and agreements not assumed by Purchaser and Claims which do not relate to the Assets or the Assumed Liabilities.

2. LIABILITIES.

2.1 Excluded Liabilities. Except as set forth in paragraph 2.2 below, Purchaser neither assumes nor agrees to be responsible for any liabilities, obligations, warranties or commitments of any kind or character whatsoever of Seller or for any claims or demands based thereon or attributable thereto (whether accrued, absolute or contingent, whether known or unknown and regardless of when asserted) and all such liabilities, obligations, warranties or commitments and all such claims and demands shall remain the sole obligation and responsibility of Seller, including, without limitation, the following:

2.1.1 United States, foreign, state or local income or similar taxes applicable to, imposed upon or arising out of the transfer of the Assets to Purchaser contemplated by this Agreement.

2.1.2 Liability, cost, obligation or expense of Seller incurred in connection with this Agreement and the transactions contemplated herein.

2.1.3 Liability or obligation under any employment agreement, including without limitation, those agreements set forth in paragraph 1.2.4 hereof, (except under the Collective Bargaining Agreement between Gould, Systems Protection Division

and the United Automobile Aerospace and Agricultural Workers of America (U.A.W.) and its Local No. 1612 Amalgamated, effective from April 15, 1986 through April 17, 1989, as amended by letter agreements numbers 1-26, each dated April 4, 1986 attached thereto (collectively, the "Union Contract") and under the other agreements set forth in the Disclosure Schedule (except those designated as being retained by Seller)) or with respect to employee benefits, pension plans or similar obligations (including any severance pay obligations) to employees of Seller, except as set forth in Article 8 hereof.

2.1.4 Product liability or other claims (including without limitation any such claim described in the Disclosure Schedule) of any description whatsoever in respect of products manufactured, licensed, sold or otherwise disposed of by, and services rendered with respect to or on account of Seller prior to or on the Closing Date, regardless of whether the events giving rise to any such liability shall have occurred prior to the Closing Date, including (except to the extent set forth in paragraph 7.4 hereof) liabilities and obligations for damaged and defective or returned goods or for replacement of goods or allowances with respect to goods sold by or on behalf of Seller.

2.1.5 Liability arising out of any violation or any claimed violation by Seller prior to the Closing Date (including without limitation any such violation or claimed violation described in the Disclosure Schedule) of any applicable federal, state, county, local or foreign government laws, decrees, ordinances or regulations, including without limitation, those

applicable to discrimination in employment; occupational safety and health; trade practices, competition and pricing; product warranties; zoning; building and sanitation; toxic or chemical substances; employment, retirement or labor relations; product advertising; and pollution, discharge, disposal or emission of wastes, materials (including without limitation, asbestos) or other gases into the environment; defense contracting; defense security, clearance procedures, systems or requirements.

2.1.6 Liabilities or obligations arising out of or with respect to:

(i) Purchaser's failure to employ any employee or former employee of Seller; or

(ii) the discharge or termination of any such employee by Seller at any time.

2.1.7 Liabilities and obligations for all federal, state, local, foreign and other governmental taxes imposed on or with respect to the gross or net income of Seller.

2.1.8 Liability arising out of Seller's breach occurring prior to the Closing Date of any Contract to be assumed by Purchaser hereunder (including without limitation any such breach of any Contract described in the Disclosure Schedule).

2.1.9 Liabilities, debts and obligations arising out of or relating to any transaction entered into prior to the Closing Date, any action or omission prior to the Closing Date and any state of facts or conditions existing prior to the Closing Date.

2.2 Assumed Liabilities. On the Closing Date, Purchaser shall by appropriate instruments assume and agree to

pay, perform and discharge when due, the following liabilities and obligations of Seller relating to the Business which are in existence as of the Closing Date:

2.2.1 The following liabilities of the Division, but not in excess of the amount of such liabilities set forth on the liability side of the Final Closing Statement:

(i) all of the Division's trade accounts payable, exclusive of penalties arising from Seller's failure to pay on a timely basis (which Seller shall discharge) or accounts payable arising out of any transaction between the Division and any division or affiliate of Seller;

(ii) accrued and other current liabilities relating to employee compensation and payroll deductions; and

(iii) accrued and current expenses.

Provided, however, all of the liabilities described in subparagraphs (i) - (iii) above shall be of the nature reflected or reserved against in the Audited Transferable Balance Sheet and shall have been incurred in compliance with the representations, warranties and covenants contained in this Agreement.

2.2.2 The obligations of Seller under the Contracts, but excluding any liability or obligation for any breach thereof occurring prior to the Closing Date and any obligation associated with any Contract which is not assignable to Seller to the extent that the benefits thereunder are not made available to Purchaser by reason of the non-assignability thereof.

2.2.3 Liability for certain employee benefits as set forth in Article 8 hereof.

2.2.4 Product warranty expense for repairs, returns, replacements, allowances and related services required by the terms of warranty arrangements of the Division up to an aggregate amount of \$1.1 million, as set forth in Section 7.4 hereof.

2.2.5 The liabilities to be assumed by Purchaser described in paragraphs 2.2.1 (i) - (iii) are collectively referred to as the "Balance Sheet Liabilities." The Balance Sheet Liabilities and the liabilities and obligations to be assumed by Purchaser described in paragraphs 2.2.2, 2.2.3 and 2.2.4 are collectively referred to as the "Assumed Liabilities."

3. PURCHASE PRICE.

3.1 Purchase Price. The purchase price for the Assets shall be \$22,968,000, adjusted as set forth in paragraph 3.3 (as adjusted, the "Purchase Price").

3.2 Payment of Estimated Purchase Price

3.2.1 At Closing, Purchaser shall make payment to Seller by wire transfer in immediately available funds of an amount equal to the Estimated Purchase Price (as hereinafter defined) at such bank account as Seller may designate in writing prior to the Closing.

3.2.2 Seller shall prepare a balance sheet of the Division as of the end of the month preceding the Closing Date (the "Preliminary Closing Statement"). The Preliminary Closing Statement shall be prepared and the assets and liabilities shall be valued in accordance with the accounting principles, consis-

tently applied, used in the preparation of the Audited Transferable Balance Sheet.

3.2.3 The difference between the assets and liabilities as reflected on the Preliminary Closing Statement less \$50,000 shall be the "Preliminary Net Book Value." The difference between the assets and liabilities reflected on the Audited Transferable Balance Sheet shall be the " Audited December Net Book Value." If the Audited December Net Book Value is less than the Preliminary Net Book Value, the difference shall be added to the amount specified in paragraph 3.1 hereof and the resulting amount shall be the "Estimated Purchase Price." If the Audited December Net Book Value is greater than the Preliminary Net Book Value, the difference shall be subtracted from the amount specified in paragraph 3.1 hereof and the resulting amount shall be the Estimated Purchase Price.

3.3 Adjustment of Purchase Price

3.3.1 Within sixty (60) days after the Closing Date Seller shall deliver to Purchaser an audited balance sheet of the Division as of the close of business on the Closing Date prepared by Ernst & Whinney (the "Final Closing Statement"). The Final Closing Statement shall be prepared and the assets and liabilities shall be valued in accordance with the accounting principles, consistently applied, used in the preparation of the Audited Transferable Balance Sheet, except that the amount of the reserves set forth on Exhibit 3.2.2 attached hereto and made a part hereof shall not be changed from the amount of such reserves on the Audited Transferable Balance Sheet, and shall be based on the

Inventory Report to be delivered to Purchaser pursuant to paragraph 3.3.2 hereof. After the Closing, Purchaser shall afford Seller access to the facilities and books and records of the Division and the use of its personnel for the purpose of preparing the Final Closing Statement. Seller shall permit Purchaser to review all work papers and computations used by it in preparing the Final Closing Statement.

3.3.2 As of the close of business on the Closing Date Seller shall take a physical inventory of the Inventory. Representatives of Purchaser shall be permitted to observe the taking of such physical inventory. Upon completion of such physical inventory, Seller shall prepare an inventory report setting forth (i) the quantity of the items of Inventory; and (ii) the price extension of the physical inventory ("Inventory Report"). Concurrently with the delivery to Purchaser of the Final Closing Statement pursuant to paragraph 3.3.1 hereof, Seller shall deliver to Purchaser the Inventory Report. The Inventory Report shall be the basis for the Inventory reflected on the Final Closing Statement and shall be prepared in accordance with the Seller's prior inventory practices consistently applied.

3.3.3 Within thirty (30) days after the date the Final Closing Statement is delivered to Purchaser by Seller pursuant to paragraph 3.3.1 hereof (the "Adjustment Period"), Purchaser shall complete its examination of the Final Closing Statement and shall deliver to Seller either (i) the written acknowledgement of Purchaser accepting the Final Closing Statement; or (ii) a written report setting forth any proposed adjustments to the Final Closing

statement ("Adjustment Report"). Purchaser's proposed adjustments, if any, shall not contest the validity or appropriateness of the generally accepted accounting principles, consistently applied, with respect to the Division used in the preparation of the Audited Transferable Balance Sheet.

3.3.4 In the event Seller and Purchaser fail to agree on all of Purchaser's proposed adjustments to the Final Closing Statement contained in the Adjustment Report within thirty (30) days after Seller receives the Adjustment Report, then Seller and Purchaser mutually agree that a "big eight" independent accounting firm acceptable to both Seller and Purchaser ("Independent Auditors"), shall make the final determination of the Final Closing Statement in light of the terms and provisions of this Agreement. The decision of the Independent Auditors shall be final and binding on Seller and Purchaser. Purchaser and Seller shall provide the Independent Auditors with access to all of the books, records, facilities, personnel and workpapers necessary for the determination of the Final Closing Statement by the Independent Auditors. The costs and expenses of the Independent Auditors and their services rendered pursuant to this paragraph 3.3.4 shall be borne equally by Seller and Purchaser.

3.3.5 The difference between the assets and liabilities on the Final Closing Statement less \$50,000 shall be the "Final Net Book Value." If the Audited December Net Book Value is less than the Final Net Book Value, the difference shall be added to the amount in paragraph 3.1 hereof and the resulting amount shall be the "Unadjusted Purchase Price." If the Audited December Net

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Book Value is greater than the Final Net Book Value, the difference shall be subtracted from the amount specified in paragraph 3.1 and the resulting amount shall be the Unadjusted Purchase Price. Any respective amounts of charges to income of the Division during the period January 1, 1987 through the Closing Date for obsolete or slow-moving inventories and bad debt in excess of \$400,000 in aggregate shall be added to the Unadjusted Purchase Price and the resulting amount shall be the "Purchase Price." If such charges did not exceed \$400,000, the Unadjusted Purchase Price shall be the "Purchase Price."

3.3.6 Purchaser shall pay to Seller (or Seller shall remit to Purchaser, as appropriate) an amount equal to the difference between the Estimated Purchase Price and the Purchase Price (the "Adjustment Payment") in the manner set forth in paragraph 3.2 hereof.

3.3.7 That portion of the Adjustment Payment not in dispute, shall be paid within ten (10) days following expiration of the Adjustment Period regardless of whether any Adjustment Report is issued. The remainder of the Adjustment Payment required as a result of the resolution of the disputed amount in connection with the Final Closing Statement shall be paid within ten (10) days following resolution of any such dispute, whether by decision of the Independent Auditors or by agreement between the Parties hereto. All portions of the Adjustment Payment, whether or not subject to a dispute prior to payment, shall bear interest from the Closing Date through the date of payment at a rate of 10% per annum.

3.4 Allocation of Purchase Price. The Purchase Price shall be allocated among the Assets in accordance with the allocation schedule attached hereto as Exhibit 3.4. Any adjustment to the Purchase Price shall result in a corresponding pro-rata adjustment to such allocation. All applicable tax returns and other applicable reports to governmental agencies filed by Seller or Purchaser insofar as they involve an allocation of the Purchase Price pursuant to this Agreement shall be based upon and be consistent with the provisions of this paragraph.

4. REPRESENTATIONS AND WARRANTIES OF SELLER.

Seller makes the following representations and warranties to Purchaser, each of which is true and correct on the date hereof, shall be unaffected by any investigation heretofore or hereafter made by Purchaser, or any notice to Purchaser other than in the Disclosure Schedule, and shall survive the Closing and the transactions contemplated hereby. Seller's representations and warranties are subject to, and qualified by, any fact or facts disclosed in the appropriate corresponding section of the separate disclosure schedule (the "Disclosure Schedule") which has been prepared by Seller and delivered to Purchaser contemporaneously with the execution and delivery of this Agreement and acknowledged by an authorized officer of Seller and Purchaser. Disclosure of an item in the Disclosure Schedule referenced by a particular paragraph in this Agreement shall, should the existence of the item or its contents be relevant to any other paragraph, be deemed to be disclosed in that paragraph whether or not an explicit

cross-reference appears, provided that the nature of any matter disclosed by such item is reasonably apparent from the context of the disclosed item without reference to any collateral document.

4.1 Organization and Authority.

4.1.1 Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with all requisite corporate power and authority to own, operate and lease its properties and to carry on its business as now being conducted, and is duly qualified and in good standing as a foreign corporation in the Commonwealth of Pennsylvania.

4.1.2 The Business has been and will be conducted until Closing only through the Division and not through any other internal division of Seller or any other corporation or other legal entity.

4.1.3 The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, violate any provision of Seller's certificate of incorporation or bylaws, or result in the acceleration or breach of or cause the termination of any obligation under, any provisions of any mortgage, lien, lease, agreement, instrument, court order, arbitration award, judgment or decree to which Seller is a party, or by which it is bound and will not violate any law, or governmental rule or regulation or other restriction of any kind or character to which it is subject or by which it is bound. This Agreement has been duly authorized, executed and delivered by Seller and constitutes a valid and binding obligation of Seller enforceable in accordance with its terms, except as such

enforceability may be limited by bankruptcy, insolvency, moratorium or other laws of general application relating to or affecting the enforceability of creditors' rights or by general equitable principles.

4.1.4 Seller is not required to submit any notice, report or other filing to any governmental authority with respect to the transactions contemplated by this Agreement, except that a Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act"), is required and has been heretofore filed by Seller.

4.2 Financial.

4.2.1.1 True copies of the audited financial statements of the Division consisting of the balance sheet and the income statement for the year ended on December 31, 1986 and the balance sheet and income statement for the year ended December 31, 1985 ("Financial Statements") are included as part of the Disclosure Schedule. The Financial Statements fairly present the financial condition of the Division as of each of such dates, and the results of operations of the Division for the respective periods covered, in accordance with generally accepted accounting principles consistently applied by Seller in preparation of Division financial records, except as otherwise noted in the Financial Statements.

4.2.1.2 A true copy of the Audited Transferable Balance Sheet is included as part of the Disclosure Schedule. The Audited Transferable Balance Sheet fairly presents the financial condition of the Division as of December 31, 1986, in accordance with

generally accepted accounting principles consistently applied by Seller in preparation of Division financial records, except that the "Accounts Not Sold" of the Division, reflected on the page following the Audited Transferable Balance Sheet in the Disclosure Schedule have not been included in the Audited Transferable Balance Sheet.

4.2.2 The Receivables as shown on the Audited Transferable Balance Sheet and those arising since the date thereof and to be reflected on the Final Closing Statement are valid receivables and arose or will arise (in the case of the Final Closing Statement) in the ordinary course of business from the sale of goods or services. The Disclosure Schedule contains a true and correct schedule "aged" of Receivables and reflects the payment terms thereof.

4.2.3 The Inventory included in the Audited Transferable Balance Sheet is, and the Inventory to be reflected on the Final Closing Statement will be, valued at cost (in accordance with Seller's first-in, first-out method of accounting principles) or market, whichever is lower, and consists, or will consist (in the case of the Final Closing Statement), of a quality and quantity usable and saleable in the conduct of the ordinary course of the Business, subject to the reserve, if any, for slow moving, obsolete or unuseable items. Seller has not transferred Inventory on consignment or granted return privileges to any purchasers of its goods.

4.2.4 Seller has good and marketable title to the Assets free and clear of any mortgage, lien, pledge, charge, claim

or encumbrance, except as set forth in the Disclosure Schedule, subject to no restrictions on transferability.

4.2.5 Included in the Disclosure Schedule is an itemized listing of items on the Audited Transferable Balance Sheet classified as "Prepaid expenses" and "Other current assets."

4.2.6 Except as set forth on the Disclosure Schedule, all principal items of Machinery and Equipment are in good operating condition and repair, subject only to ordinary wear and tear, free from defects and fit for their present use. The Assets are sufficient to carry on the Business as conducted in the twelve months prior to the date of this Agreement. The Disclosure Schedule sets forth an itemized list of the principal items of Machinery and Equipment.

4.3 Capital Expenditures. The Disclosure Schedule sets forth an itemized list of all capital expenditure commitments exceeding fifty thousand dollars (\$50,000) outstanding as of March 31, 1987.

4.4 Significant Changes. Since December 31, 1986, except as set forth in the Disclosure Schedule, there has not been:

4.4.1 Any material adverse change in the physical condition of the Assets or in the Assumed Liabilities or in the financial condition or operating results of the Business or the Division.

4.4.2 Any material loss, damage or destruction to the Assets or the Business.

4.4.3 Any increase in the salaries or wages of or any bonus or other employee benefit granted, or made to or accrued for

any employees, agents or former employees or agents of Seller working in the Division, except pursuant to pre-existing plans at pre-established levels or in the ordinary course of business in accordance with past practices.

4.4.4 Any material labor dispute or disturbance, grievance, litigation or other similar event adversely affecting the Business.

4.4.5 Any mortgage, pledge, lien or encumbrance made on any of the Assets.

4.4.6 Any sale, transfer or other disposition of any or all of the Assets, except in the ordinary course of business.

4.4.7 Any individual capital expenditure or commitment by Seller in connection with the Business which is in excess of \$50,000.

4.4.8 Any other transaction, event or condition not in the ordinary course of the Business which would have a material adverse affect on the Division or the financial condition or operating results of the Business.

4.5 Undisclosed Liabilities. There were no liabilities of Seller, whether accrued, absolute, contingent or otherwise, which arose or relate to any transaction of Seller, its agents or servants relating to the Business and occurring or existing prior to December 31, 1986, of a type normally set forth in a balance sheet prepared in accordance with generally accepted accounting principles, which are not disclosed by or reflected in the Audited Transferable Balance Sheet. There are no such liabilities occurring since December 31, 1986, other than normal liabilities

incurred in the normal conduct of the Business, none of which has had a material adverse effect on the financial condition or operating results of the Business or the Division. As of the date hereof, there are no known circumstances, conditions, happenings, events or arrangements, contractual or otherwise, which Seller has reason to believe may hereafter give rise to liabilities, except in the normal course of the Business and consistent with past practices.

4.6 Compliance with Contracts. Except as set forth in the Disclosure Schedule:

4.6.1 Seller is not in default under any material Contract nor has any event occurred, which, through the passage of time or the giving of notice, or both, would constitute a default under any material Contract or cause the acceleration of any obligation of Seller or result in the creation of any lien, charge or encumbrance upon any or all of the Assets.

4.6.2 Except as set forth on the Disclosure Schedule, to the knowledge of Seller, no other party is in default under any Contract made with Seller or obligation owed to it, in connection with the Business, nor has any event occurred, which, through the passage of time or giving of notice, or both, would constitute a default under any Contract or any such obligation, or cause the acceleration of any obligation owed to Seller. All Contracts are, except for government contracts which must be novated, assignable or require the consent of the other party thereto to assignment to Purchaser pursuant to this Agreement, which consent and novation Seller shall use its best efforts to obtain.

4.7 Leases.

4.7.1 The Disclosure Schedule contains a true and correct description of each written lease constituting part of the Assets under which Seller is the lessor or lessee of any personal property involving a consideration of or expenditure in excess of Fifty Thousand Dollars (\$50,000) per year or involving performance over a period of more than twelve months, and contains a true and correct description of each oral lease under which Seller is the lessor or lessee of any such property involving a consideration of or expenditure in excess of Ten Thousand Dollars (\$10,000) per year or which cannot be terminated without penalty upon thirty days notice.

4.7.2 The Disclosure Schedule contains a true and correct description of each written lease constituting part of the Assets under which Seller is the lessor or lessee of any real property (including railroad sidings or rights of way), and contains a true and correct description of each oral lease under which Seller is the lessor or lessee of any such property involving a consideration of or expenditure in excess of Ten Thousand Dollars (\$10,000) per year or which cannot be terminated without penalty upon thirty days notice. Except as set forth in paragraph 14.9 hereof and in the Disclosure Schedule, the premises described in each of such leases are presently occupied or used by Seller as lessor or lessee under the terms of each respective lease.

4.7.3 All leases described in subparagraphs 4.7.1 and 4.7.2 are valid and in full force and effect and Seller's interest under each such lease is free and clear of all liens, claims or

encumbrances. Seller shall use its best efforts to deliver to Purchaser on or prior to the Closing Date lessors' consents to assignments where required by such leases. All rentals due and payable under said leases have been paid and there exists no default under the terms of any material lease and no event has occurred which, upon the passage of time or giving of notice, or both, would result in any event of default or prevent Seller from exercising and obtaining the benefits of any options or other rights contained therein.

4.8 Compliance.

4.8.1 All material reports and returns required to be filed by Seller with respect to the Division with any governmental agency have been filed. Seller has obtained all material governmental approvals, permits and licenses required for the conduct of the Business as presently conducted. Such approvals, permits and licenses are in full force and effect and are identified in the Disclosure Schedule.

4.8.2 Except as set forth in the Disclosure Schedule, in connection with the Business, Seller has no written notice of any claimed violation of any, and is in compliance in all material respects with all, applicable federal, state, county, local and foreign government laws, decrees, ordinances or regulations, including without limitation, those applicable to trade practices, competition and pricing; product warranties; zoning; building and sanitation; defense contracting; defense security clearance procedures, systems or requirements; toxic or chemical substances; product advertising; pollution, discharge, disposal or emission of

wastes, materials or other gases into the environment; and occupational safety and/or health standards. Seller has maintained files and records which contain correspondence, notices, applications and other documentation relating to all federal, state, local and foreign governmental, regulatory agency and other licenses, approvals, clearances, safety standards, investigations or recalls affecting or relating to the products, employees or employment practices of the Business, however categorized. All such files and records have been heretofore identified to and made available for review by Purchaser.

4.9 Litigation. Except as set forth in the Disclosure Schedule, there are no legal, administrative or other proceedings, investigations or inquiries, product liability or other claims, judgments, injunctions or restrictions, either threatened (where Seller has reason to believe the threat is likely to result in any such proceeding), pending or outstanding against or involving the Division, the Business, the Assets or the Assumed Liabilities, nor does Seller know, or have reasonable grounds to know, of any basis for any such proceedings, investigations or inquiries, product liability or other claims, judgments, injunctions or restrictions.

4.10 Products; Warranty Provisions; Independent Approvals.

4.10.1 Since December 31, 1986, no event has occurred to suggest that liabilities and obligations for damaged, defective or returned goods, or for replacement of goods or for allowances with respect to goods sold by or on behalf of the Business incurred by Seller or to be incurred by Purchaser will not be consistent with past experience in the Business.

4.10.2 Seller has not received written notice that subsequent to December 31, 1986 there has been any liability, claim or obligation arising from or alleged to arise from any actual or alleged injury to persons or property or any business loss or interruption as a result of the ownership, possession, or use of any product manufactured or sold in the Business.

4.10.3 All (i) commercial products of Seller produced and sold in the Business have been rated and approved by Underwriters Laboratories, and Seller has no reason to believe such ratings or approvals may be revoked or withdrawn, and meet standards established by National Electrical Manufacturers Association (NEMA) and (ii) military products of Seller produced and sold in the Business meet all military specifications applicable to same.

4.11 Insurance. Set forth in the Disclosure Schedule is a listing of all policies of fire and liability insurance applicable to the conduct of the Business, which are in full force and effect, along with a summary of insurance claims of the Division for the years 1984-1986.

4.12 No Broker. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on directly by Seller with Purchaser without the intervention of any broker or other third party. Seller has not engaged, consented to or authorized any broker, investment banker or third party to act on its behalf, directly or indirectly, as a broker or finder in connection with the transactions contemplated by this Agreement. Seller has not taken any action which will cause Purchaser to be responsible for any broker's or finder's fee.

4.13 Trade Rights. The Disclosure Schedule lists all Trade Rights presently owned, possessed, used or held (under license or otherwise) by Seller in connection with the Business, including expiration dates thereof, except those specifically excluded from the Assets. Seller owns its interest therein free and clear of all liens, licenses, encumbrances, equities, conditional sales contracts, security interests, charges or restrictions (on transferability or assignability or otherwise), except as set forth in the Disclosure Schedule, and Seller has no notice or knowledge that the use thereof in the Business (including following the Closing where such Trade Rights are employed in the Business by Purchaser in a manner consistent with the conduct of the Business by Seller) did or will infringe the Trade Rights of others. Seller has received no written notice of any inquiries, investigations or pending claims or litigation challenging or threatening to challenge Seller's right, title and interest with respect to continued use of any Trade Right in the Business or right to preclude others from using any Trade Right or right to assign or license any Trade Right to Purchaser. Except as set forth in the Disclosure Schedule, Seller has not granted any license or made any assignment of any of its Trade Rights, nor does it pay any royalties or other consideration for the right to use any Trade Rights.

4.14 Taxes.

4.14.1 All federal, state, foreign, county and local income, ad valorem, excise, profits, franchise, occupation, property, sales, use, gross receipts and other taxes (including

employee withholding taxes); customs, duties or tariffs (including any interest or penalties relating thereto) and assessments which are due and payable with respect to the Business have been duly reported, fully paid and discharged as reported by Seller and there are no such unpaid items which are or could become a lien on the Assets, except taxes (i) provided for in the Audited Transferable Balance Sheet or (ii) incurred in the normal course of the Business since December 31, 1986 (which will be reflected on the Final Closing Statement). All tax returns of any kind required to be filed by Seller with respect to the Division have been filed and the taxes paid or accrued.

4.15 Contracts and Commitments. Except as set forth in the Disclosure Schedule:

4.15.1 Seller has no purchase commitments for Inventory items or supplies (i) involving a consideration or expenditure in excess of Fifty Thousand Dollars (\$50,000); or (ii) in excess of six months' normal usage in the Business; or (iii) in excess of the normal, ordinary, usual and current requirements of the Business; or (iv) which are at a price more than five percent (5%) in excess of prices currently available to the Division; or (v) involving performance by the Division over a period of more than twelve months.

4.15.2 Seller has no sales contracts or commitments to customers or distributors of the Business (i) where any one purchase order involves consideration in excess of Fifty Thousand Dollars (\$50,000); or (ii) which aggregate in excess of \$100,000 to any one customer or distributor (or group of affiliated

customers or distributors); or (iii) which entail the payment of commissions to any agent, distributor or dealer; or (iv) involving performance by the Division over a period of more than twelve months.

4.15.3 Seller has no contracts or commitments not included in paragraphs 4.15.1 or 4.15.2 (other than leases disclosed pursuant to paragraph 4.7) in connection with the Business involving a consideration or expenditure in excess of fifty thousand dollars (\$50,000) per year, or involving performance over a period of more than twelve months.

4.15.4 Seller has no agreements or contracts (whether oral or written) with affiliates, directors, officers, employees, shareholders, or consultants in connection with the Business.

4.15.5 Seller has not given a power of attorney, which is currently in effect, to any person, firm or corporation in connection with the Business for any purpose whatsoever.

4.15.6 In connection with the Business, Seller has no collective bargaining or employment agreements, other than the Union Contract, nor any agreements that contain any severance or termination pay liabilities or obligations, nor any bonus, vacation, deferred compensation, stock purchase, stock option, profit-sharing, pension, retirement or other employee benefit plans.

4.15.7 Seller is not a party to industrial development revenue bond or similar financing in connection with the Business.

4.16 Employees; Labor Matters.

4.16.1 The Disclosure Schedule contains a true and correct list of all salaried employees to whom Seller is paying compensation and who are considered by Seller to be employees of the Division, and identifies the current annual rate of compensation for each employee who earns \$50,000 or more per year, for services rendered in connection with the Business.

4.16.2 No present or former employee of the Division has any valid claim against Seller (whether under foreign, federal or state law, under any employment agreement or otherwise) on account of or for (i) overtime pay, other than overtime pay for the current payroll period, (ii) wages, salaries or profit sharing plan (excluding wages, salaries or profit sharing plan for the current payroll period), (iii) vacations, time off or pay in lieu of vacation or time off, other than vacation or time off (or pay in lieu thereof) earned in respect of Seller's current fiscal year, or (iv) any violation of any statute, ordinance or regulation relating to minimum wages or maximum hours of work.

4.16.3 No person or party (including, but not limited to, governmental agencies of any kind) has made any material claim, and, to the knowledge of Seller, there is no basis or grounds for any material claim, against Seller arising out of the Business based on any federal, state, county, local or foreign statute, ordinance or regulation relating to discrimination to employees; employee practices; or employment, retirement or labor relations.

4.16.4 There is not pending or, to the knowledge of Seller, threatened any labor dispute, strike or work stoppage which materially affects or interferes or may materially affect or interfere with the Business as presently conducted. There is not now pending or, to the knowledge of Seller, threatened (where Seller has reason to believe the threat is likely to result in any charge) any charge or complaint related to the Business against Seller by or before the National Labor Relations Board, any representative thereof or any comparable state or federal agency or authority. To the knowledge of Seller, no union organizing activities are in process or contemplated and no petitions have been filed for union organization or representation related to the Business. Seller has not committed any unfair labor practices related to the Business which have not heretofore been corrected and fully remedied.

4.17 Real Estate.

4.17.1 The Disclosure Schedule identifies and sets forth a description of the leases or other instruments evidencing Seller's interests in real estate used or held for use in the Business. Except as noted in such leases or other instruments or in the Disclosure Schedule, all such real estate has unqualified access to public roads and all utilities.

4.17.2 Seller does not own any real property which is used or held for use in the Business.

4.18 Employee Benefit Plans.

4.18.1 As used in this Agreement, the following terms shall have the following definitions:

"Code" Means the Internal Revenue Code of 1986, as amended.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and all references to sections thereof shall include such sections and any successor thereto containing substantially similar provisions.

"ERISA Affiliate" means each trade or business (whether or not incorporated) which together with Seller would be treated as a single employer under Section 4001(b)(1) of ERISA.

"Multiemployer Plan" means a plan described in Section 3(37) of ERISA.

"IRS" means the Internal Revenue Service.

"PBGC" means the Pension Benefit Guaranty Corporation.

"I-T-E Plan" means the I-T-E Imperial Corporation Retirement Plan, a single-employer defined-benefit pension plan maintained by Seller.

4.18.2 Seller represents as follows:

(i) With respect to all employees and former employees of the Business as such employees or former employees, and except as set forth on the attached "Employee Benefits Schedule," neither the Seller nor any of its subsidiaries presently maintains, contributes to, or has any liability (including current

or potential multiemployer plan withdrawal liability) under any (A) non-qualified deferred compensation or retirement plan or arrangement which is an "employee pension benefit plan" as such term is defined in Section 3(2) of ERISA, (B) qualified defined contribution retirement plan or arrangement which is an employee pension benefit plan, (C) qualified defined benefit pension plan or arrangement which is an employee pension benefit plan, (D) Multiemployer Plan, (E) funded or unfunded medical, health, or life insurance plan or arrangement for present or future retirees or present or future terminated employees which is an employee welfare benefit plan as defined in Section 3(1) of ERISA, or (F) any other employee welfare benefit plan.

(ii) All employee pension benefit plans listed on the Disclosure Schedule (other than any non-qualified plan listed as such) are substantially in compliance with the applicable requirements of ERISA and each such plan has received a favorable determination letter from the IRS. Neither Seller nor any of its subsidiaries has knowledge of any facts that adversely affect the qualification of such plans, other than changes to such plans required by the Tax Reform Act of 1986. All such employee pension benefit plans were timely amended and filed with the Internal Revenue Service with respect to changes required by the Tax Equity and Fiscal Responsibility Act of 1982, the Retirement Equity Act of 1984, and Tax Reform Act of 1984. All employee welfare benefit plans listed on the Disclosure Schedule and all related trusts, insurance contracts, or other funding arrangements, if any, are

substantially in compliance with the requirements of ERISA and the Code.

(iii) No accumulated funding deficiency within the meaning of Section 302 of ERISA or Section 412 of the Code has been incurred with respect to any employee pension benefit plan listed on the Disclosure Schedule. With respect to each employee benefit plan listed on the Disclosure Schedule. With respect to each employee benefit plan, if any, listed on the Disclosure Schedule of which Purchaser becomes the sponsor on or after the Closing Date, there have been no prohibited transactions as defined in Section 406 of ERISA or Section 4975 of the Code, and no actions, suits or claims with respect to the assets thereof (other than routine claims for benefits) are pending or threatened, and neither the Seller nor any subsidiary has knowledge of any facts which would give rise to or could reasonably be expected to give rise to, any such actions, suits or claims.

(iv) With respect to all employee benefit plans listed on the Disclosure Schedule, neither the Seller nor any of its subsidiaries, nor any of its or their directors, officers, employees or any other "fiduciary," as such term is defined in Section 3(21) of ERISA, has any material liability for failure to comply with ERISA or the Code for any action or failure to act in connection with the administration or investment of the assets of such plans.

(v) With respect to each employee benefit plan listed on the Disclosure Schedule, the Seller or its subsidiaries has furnished the Purchaser true and complete copies, where

applicable, of (A) the plan documents, (B) the most recent determination letters received from the IRS for such plan, (C) the latest actuarial valuation for such plan, (D) the financial statement for such plan and its related trust (if any) as of the end of the most recent plan year, (E) the most recent Form 5500 Annual Report (including all schedules), and (F) all related trust agreements, insurance contracts or other funding agreements which implement such plan.

(vi) No proceeding by the PBGC to terminate any employee pension benefit plan listed on the Disclosure Schedule pursuant to Subtitle 1 of Title IV of ERISA has been instituted or threatened, there is no pending or threatened legal action, proceeding, or investigation against or involving any such employee pension benefit plan and, to the knowledge of the Seller and its subsidiaries there is no basis for any such legal action, proceeding or investigation.

(vii) With respect to each employee welfare benefit plan listed on the Disclosure Schedule that is funded in whole or in part by an insurance contract, and except as otherwise disclosed on the Disclosure Schedule, the liability for incurred but unpaid claims upon contract termination has been funded through on-going premium payments by the Seller or its subsidiaries, and if the contract is terminated on the Closing Date, the insurance company is therefore responsible to pay all eligible claims incurred while the contract is in effect, whether asserted before or after the Closing Date, without requiring any additional contributions under such contracts.

4.19 Customers and Vendors.

4.19.1 Included in the Disclosure Schedule is a list of all customers, including distributors, of the Division for the most recent fiscal year where Division sales have exceeded \$100,000 to any such customer or distributor in such year. Such list sets forth by customer any terms of sale, pricing, payment or return not in the ordinary course of business. In addition, a list also is provided of each customer to which Division annual sales have been less than \$100,000, including terms of sale, where such terms of sale are not generally available to all customers of the Business. Seller has no actual knowledge that any of the 10 largest customers or distributors of the Business per the above list will not continue to be customers of the Business or will not continue to act as distributors of the Business after the Closing.

4.19.2 Included in the Disclosure Schedule is a list of the 25 largest vendors to the Division for each of the two most recent fiscal years determined on the basis of the total dollar amount of purchases from such vendors. Seller has no actual knowledge that any of such vendors will not continue to supply the Business with adequate quantity and quality of goods at competitive prices after the Closing.

4.19.3 The Disclosure Schedule contains a list of all sales commissions paid to any individual or entity of more than \$100,000 during either of the two most recent fiscal years with respect to the Business and a description of the present basis of paying any sales commissions.

4.19.4 The Disclosure Schedule contains a list of the names of the Division's ten largest independent distributors in fiscal 1986, along with a list of the applicable distributor agreements, if any.

4.20 Confidentiality Agreements. Each confidentiality or secrecy agreement obtained by Seller and presently in effect with respect to Trade Rights constituting part of the Assets is identified in the Disclosure Schedule.

4.21 Environmental Matters. Except as set forth in the Disclosure Schedule, (a) all operations relating to the Business have fully complied in all material respects with all applicable federal, state and local laws, regulations and rulings relating to any oil, waste, chemical substance or mixture, or any pollutant, toxic or hazardous substance, mixture or waste (collectively referred to as "Materials") used, generated, managed, handled, treated, stored or disposed of at, or moved or transported from the site in Philadelphia, Pennsylvania where the Business is conducted ("Philadelphia Site"); (b) no Materials have been (i) stored or disposed of in, upon or under the Philadelphia Site or used in the Business (including the groundwater presently or previously thereunder), (ii) stored or disposed of in, upon or under any surface water or real property (including groundwater) adjacent to the Philadelphia Site, (iii) disposed of at a site other than one identified in 40 CFR Section 261.5(f)(3)(i)-(v) or (iv) delivered to any site listed by the United States Environmental Protection Agency or any state as a site that actually or potentially needs investigations or remedial actions; (c) the

applications for all material environmental permits and licenses relating to operations at, or ownership of, the Assets were true, correct, complete and in compliance with the law when submitted and all such permits and licenses were duly and validly issued; (d) the operation and ownership of the Business is and has been in compliance in all material respects with the terms and conditions of such licenses and permits; and (e) set forth in the Disclosure Schedule is a description of all studies, analyses and test results relating to the Materials.

4.22 Disclosure. Neither this Agreement, nor any of the schedules, attachments or exhibits hereto, contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained herein and therein, in light of the circumstances in which they were made, not misleading. There is no material fact which has not been disclosed to Purchaser of which any corporate officer of Seller is aware and which materially affects adversely the Business' financial condition or operating results or the Assets, excluding facts which affect the United States and world economy generally or the industry of which the Division is a part generally.

5. REPRESENTATIONS AND WARRANTIES OF PURCHASER.

Purchaser makes the following representations and warranties to Seller, each of which is true and correct on the date hereof, shall be unaffected by any investigation heretofore or hereafter made by Seller, or any notice to Seller, and shall survive the Closing and the transactions contemplated hereby.

5.1 Organization and Good Standing. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Delaware, is in good standing in the Commonwealth of Pennsylvania and has full power and authority to enter into and perform the transactions contemplated by this Agreement. This Agreement has been duly authorized, executed and delivered by Purchaser and constitutes a valid binding obligation of Purchaser enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or other laws of general application relating to or affecting the enforceability of creditors' rights or by general equitable principles.

5.2 Performance of this Agreement. The execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, violate any provision of Purchaser's certificate of incorporation or bylaws, or result in the acceleration of any obligations under any provisions of any mortgage, lien, lease, agreement, instrument, court order, arbitration award, judgment or decree to which Purchaser is a party or by which it is bound and will not violate any other restriction of any kind or character to which it is subject or by which it is bound.

5.3 Government Approvals. Purchaser is not required to submit any notice, report or other filing to any governmental authority with respect to the transactions contemplated by this Agreement, except that a Notification and Report Form under the HSR Act is required and has been heretofore filed by Purchaser.

5.4 No Broker. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried on directly by Purchaser with Seller without the intervention of any broker or other third party except for Grant Thornton, who will receive consulting fees. Purchaser has not engaged, consented to or authorized any broker, investment banker or third party to act on its behalf, directly or indirectly, as a broker or finder in connection with the transactions contemplated by this Agreement, except for Grant Thornton whose consulting fees shall be paid by Purchaser. Purchaser has not taken any action which will cause Seller to be responsible for any broker's or finder's fee.

6. COVENANTS OF SELLER.

Seller hereby covenants and agrees as follows:

6.1 Access to Information. From and after the date of this Agreement and until the Closing Date, Purchaser and its authorized representatives and financing parties shall have full access during normal business hours to all properties, books, records, contracts and documents of Seller relating to the Business, and Seller shall furnish or cause to be furnished to Purchaser and its authorized representatives and financing parties all information with respect to the affairs and business of Seller in connection with the Business as Purchaser may reasonably request. All such information shall be received and held by Purchaser in accordance with and subject to the provisions of the Confidentiality Agreement, dated October 16, 1986 between Seller and George Gordon, which is incorporated herein by reference.

6.2 Actions Prior to Closing. From and after the date of this Agreement and until the Closing Date, with respect to the Division, the Business, the Assets or the Assumed Liabilities:

6.2.1 Except with the prior written consent of Purchaser, Seller shall carry on the Business diligently and substantially in the same manner as heretofore, and Seller shall not make or institute any unusual or novel methods of purchase, sale, management, accounting or operation or enter into any agreement, contract or commitment for any capital expenditure exceeding \$50,000.

6.2.2 Without the prior written consent of Purchaser, Seller will not grant any increase in the rates of pay of its employees, nor grant any increase in the benefits under any pension or welfare plan or other contract or commitment except in the ordinary course of business and consistent with past practices or where Seller is otherwise obligated to do so as of the date hereof by collective bargaining agreements.

6.2.3 Seller shall not enter into any contract or commitment or engage in any transaction not in the usual and ordinary course of business and consistent with practices of the Business without the prior written consent of Purchaser.

6.2.4 Seller shall not incur any liability other than that in the usual and ordinary course of the Business, or incurred pursuant to existing Contracts, or reasonably incurred in doing the acts and things contemplated by this Agreement.

6.2.5 Seller shall maintain current insurance for the Division and such additional insurance in effect as may be reasonably required by increased business and risks in accordance

with Seller's past practices; and all property shall be used, operated, maintained, repaired and replaced in the ordinary course of the Business in a normal business manner consistent with past practices.

6.2.6 Seller shall use its best efforts (without making any commitments on behalf of Purchaser) to preserve its business organization intact, to keep available to Purchaser the present key employees of the Division, and to preserve for Purchaser the present relationships of Seller with its suppliers, distributors and customers and others having business relations with the Business.

6.2.7 Seller shall not do any act or omit to do any act, or permit any act or omission to act, which will cause a material breach of any contract, commitment or obligation related to the Business.

6.2.8 Seller shall not sell or dispose of Assets except products sold in the ordinary course of business.

6.2.9 Seller shall promptly notify Purchaser of any lawsuits, claims, proceedings or investigations that may be threatened (where Seller has reason to believe the threat is likely to result in any such proceeding), brought, asserted or commenced against it, its officers or directors involving in any way the Business, the Assets or the Assumed Liabilities.

6.2.10 Seller will provide Purchaser with interim monthly financial statements of the Division and any other manage-

ment reports, or relevant portions thereof, generated in conjunction with normal operations of the Business as and when they are available.

6.2.11 Without the prior written consent of Purchaser, Seller shall not grant credit to any customer or distributor of the Business on terms more favorable than those which have been extended to such customer or distributor in the past, or change the terms of any credit heretofore extended, except in the ordinary course of business.

6.2.12 Prior to Closing, Seller will supplement or amend the Disclosure Schedule with respect to any matter hereafter arising which, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in the Disclosure Schedule.

6.2.13 Seller covenants and agrees to use its best efforts to secure all approvals, consents, assignments, releases and/or waivers, if any, that are necessary to effect the transactions contemplated herein.

6.2.14 Seller shall make and maintain accurate records of goods produced by Seller in the Business consistent with past Practices.

6.3 License. On the Closing Date, Seller shall (a) grant Purchaser a license to use and employ the trade name and trademark "Gould" and "device" in connection with the Business as provided in the Trade Name and Trademark License Agreement attached as Exhibit 6.3 hereto and (b) assign to Purchaser its rights under

the license with regard to the "ITE" trademark (the "ITE License Assignment").

6.4 Registrations.

6.4.1 If any Trade Right is in the process of registration, or entitled to be but has not been registered, with the U.S. Patent and Trademark Office, U.S. Copyright Office, or similar U.S. or foreign patent, trademark or copyright authorities, Seller shall, at the request of Purchaser, assist Purchaser in pursuing and securing any and all such registrations after the Closing.

6.4.2 In connection with the transfer of the Assets contemplated by this Agreement, Seller shall, at Purchaser's expense, take all steps necessary to transfer to Purchaser any such Trade Right and related materials and documentation. Among other things, Seller shall obtain powers of attorney from the inventors of any such Trade Right, assign to Purchaser any applications for Trade Right registration, transfer all files relating to any such Trade Right (including registration activities to date) and send notices requesting the U.S. Patent and Trademark Office, U.S. Copyright Office, or similar U.S. or foreign patent, trademark or copyright authorities to route all future correspondence relating to any such Trade Right to Purchaser.

6.4.3 In addition, Seller shall make available to Purchaser all records, designs and personnel of Seller reasonably necessary in connection with the transfer of any Trade Right registrations.

6.5 Product Warranty. Seller shall reimburse Purchaser for product warranty claims paid by Purchaser in accordance with Section 7.4 hereof.

6.6 KMIP and DMIP. As soon as practicable following the Closing and in any event within three months following the Closing, Seller shall, pursuant to the terms of Seller's Key Employee Management Incentive Program ("KMIP") and Division Management Incentive Program ("DMIP"), pay to the appropriate Division employees the amounts accrued by Seller with respect to KMIP and DMIP for the period January 1, 1987 to the Closing Date. The amount accrued by Seller with respect to KMIP and DMIP for the Division for the period January 1, 1987 to the Closing Date shall not be included in the Final Closing Statement.

6.7 Second Site License. Prior to the Closing, Seller will use its best efforts to obtain, at Purchaser's expense, second site licenses which shall be assignable to Purchaser with respect to the computer software programs the Division currently uses for general ledger, accounts payable and fixed assets.

6.8 Software License. On the Closing Date, Seller shall (a) enter into a non-exclusive royalty free license with Purchaser with respect to certain software programs of Seller (the "Software License Agreement") and (b) assign its right under a license agreement with Seimens-Allis, Inc. for certain computer software programs used by the Division (the "Software License Assignment").

6.9 Water Treatment Works. Following the Closing, Purchaser and Seller shall cooperate with each other with respect to making any required modifications or adjustments to the Division's water

treatment works; provided, however, Seller shall be responsible for making any modifications and adjustments to the Division's water treatment works required to comply with existing environmental standards and regulations and shall be responsible for any fines and penalties imposed by governmental and regulatory authorities which arise out of deficiencies in the Division's water treatment works, rather than improper operation of, maintenance of, or input into the Division's water treatment works. Purchaser shall be responsible for all fines and penalties imposed by governmental and regulatory authorities (a) which arise out of improper operation of, maintenance of, or input into the Division's water treatment works or (b) which arise out of inadequate, improper or lack of testing, monitoring and reporting with respect to the Division's water treatment works required by governmental and regulatory authorities. Purchaser agrees to operate the Division's water treatment works in a proper manner and agrees to notify Seller as promptly as possible after discovery of any deficiencies in the Division's water treatment works. Pursuant to Paragraph 7.2 hereof, Purchaser shall cooperate with and assist Seller in any governmental or other action pertaining to the Division's water treatment works. Each party agrees to promptly notify the other party in writing of any notices or correspondence it receives with respect to the Division's water treatment works. Purchaser shall not make any settlements or agreements with respect to the Division's water treatment works with any governmental or regulatory authority or other party without Seller's prior written consent which shall not be unreasonably withheld.

7. COVENANTS OF PURCHASER.

Purchaser hereby covenants and agrees as follows:

7.1 Preservation of Records. Purchaser shall take all reasonable steps in accordance with its normal practices to preserve and maintain Records transferred to Purchaser hereunder for a minimum period of seven (7) years following the Closing Date, and such additional period as required by Purchaser's retention practices as they relate to tax records, and shall grant to Seller access to such Records, including the right to copy such Records, at Seller's expense, at any time during reasonable business hours; provided, however, that Purchaser shall not be liable for inadvertent loss or destruction of any such Records.

7.2 Assistance in Actions.

7.2.1 Upon written request of Seller, Purchaser shall assist Seller in defending any action by a third party with respect to liabilities for which Seller may be liable under Article 11 hereof by making available all records, designs and personnel of Purchaser which are reasonably necessary to such a defense. Seller shall promptly reimburse Purchaser for the reasonable administrative costs of such assistance; provided that this covenant shall not obligate Purchaser to otherwise assist Seller in or bear any of the expenses of any such defense.

7.2.2 Upon written request of Seller, Purchaser shall assist Seller in pursuing any action (including without limitation, any counterclaim) against a third party pertaining to any liabilities of the Division for which Seller may be liable hereunder, by making available all records and personnel of Purchaser

which are reasonably necessary to such an action. Seller shall promptly reimburse Purchaser for the reasonable administrative costs of such assistance provided that this covenant shall not obligate Purchaser to otherwise assist Seller in or bear any of the expenses of such an action.

7.3 Seller's Employees. Purchaser shall offer employment to all employees actively employed by Seller and considered by Seller to be employees of the Division on the Closing Date.

7.4 Product Warranty. Following the Closing, Purchaser shall satisfy product warranty claims for products of the Division sold by Seller prior to the Closing Date for the respective warranty periods, if any, of such products, to the extent, but only (i) to the extent the Seller would have accepted such products for return, replacement or repair in accordance with its past practices and policies, and then only (ii) to the extent of the aggregate amount of \$1.1 million. Seller shall reimburse Purchaser for expenses incurred by Purchaser for product warranty claims in excess of \$1.1 million.

8. MUTUAL COVENANTS - EMPLOYEE BENEFIT PLANS.

8.1 Successor Pension Plan.

8.1.1 Within 120 days after the Closing Date, but effective as of that date, Purchaser shall establish or cause to be established a defined benefit pension plan (such plan being hereinafter referred to as the "Successor Plan") to cover on and after the Closing Date the following persons:

(a) those domestic employees of the Division employed by the Purchaser on and after the Closing Date who were participating under the I-T-E Plan immediately prior the Closing Date,

(b) those members of U.A.W. Local 1612 who were domestic employees of the Division within 3 years prior to the Closing Date, who are within the 3-year recall period as of the Closing Date, and who were participating under the I-T-E Plan prior to their date of lay-off,

(c) those salaried domestic employees of the Division laid off or on short-term or long-term disability within one year prior to the Closing Date and who were participating under the I-T-E Plan prior to their date of lay-off (the persons listed in subparagraphs (a), (b), and (c) hereinafter referred to as the "Transferred Employees"), and

(d) those former employees of the Division, or the businesses to which the Division succeeded, who retired or terminated with vested benefits under the I-T-E Plan on or before the Closing Date or who are currently on long-term disability other than Gould (corporate) employees retired prior January 1, 1979 (the "SPD Pensioners").

The Successor Plan shall provide to the Transferred Employees the benefits which they had accrued under I-T-E Plan (whether vested or nonvested) immediately prior to the Closing Date, and shall provide to the SPD Pensioners the benefits in which they were vested under I-T-E Plan immediately prior to the Closing Date.

The Successor Plan shall provide that a Transferred Employee's or

SPD Pensioner's period of employment with Seller and its subsidiaries (including a predecessor business entity of any of the foregoing corporations) for which credit was given under the I-T-E Plan shall be given equivalent credit under the Successor Plan. Purchaser shall establish or cause to be established a pension trust or other funding entity (the "Successor Trust") for the purpose of receiving assets of the I-T-E Plan related to Transferred Employees and SPD Pensioners.

8.1.2 As soon as practicable after adoption of the Successor Plan and Trust, Purchaser shall make application for a determination letter from the IRS finding that the Successor Plan and Trust meet the qualification requirements of the Code.

8.1.3. Seller shall cause to be transferred to the Successor trust an amount equal to the actuarial present value of accumulated benefits (vested and non-vested) under the I-T-E Plan related to Transferred Employees and SPD Pensioners as of the Closing Date (the "Liabilities"). The Liabilities shall be calculated by using the following assumptions:

Interest Rates	As published by the PBGC for use by single employer plans on the Closing Date.
Mortality Rates	
-Healthy Lives:	UP-1984 Male and Female
-Disabled Lives:	1944 RRB Select and Ultimate
Disability Rates	None assumed.
Turnover Rates	None assumed.
Recall from Layoff	None assumed.

Retirement Age

Age 62, or current age on
Closing Date if greater.

In calculating the Liabilities, the following
benefits shall be recognized:

(i) Accrued Pension Benefit:

For active participants, both vested and
nonvested accrued benefits, equal in each case to
the greater of (1) or (2) below:

- (1) The career pay accrued benefit as of the
Closing Date, estimated by adding to each
employee's December 31, 1986 career pay
accrued benefit an Estimate of the
additional 1987 accrual up to the closing
Date, based upon the employee's rate of
earnings as of January 1, 1987;
- (2) The minimum benefit, if any, as of the
Closing Date, based upon Benefit Service
and the Minimum Benefit rate as of such
date.

Such benefit will be reduced by the regular early
retirement reduction factor applicable to each
employee at the assumed retirement age. For
retirees and survivors receiving benefits as of the
Closing Date, the total amount of benefit currently
being paid, recognizing the form of payment appli-
cable to each employee. For terminated vested
participants as of the Closing Date, the accrued
benefit calculated as of the participant's

termination date, reduced by the applicable early retirement reduction factor at the assumed retirement age.

(ii) Early Retirement Supplement:

For active participants eligible for an early retirement supplement under Section 6.5, a prorata portion of the supplement will be recognized. The portion recognized will be equal to the ratio of service at Closing Date divided by total service at age 59. The value of the supplement will be recognized through a special calculation for all employees who would have 30 years of service at age 59 assuming that 50% of such employees would receive the supplement, payable from age 59 to age 62.

(iii) Special Medicare "Part B" Reimbursement Benefit:

For active employees eligible for Medicare Part B reimbursement under Section 6.10, a prorata portion of the benefit will be recognized. The portion recognized will be equal to the ratio of service at closing divided by total service at age 65. This benefit will be assumed to commence at age 65.

(iv) Disability Benefit:

No disability assumption is being made.

(v) Additional Retirement Benefit:

For active participants eligible for an Additional Retirement Benefit under the plan supplement for their employing unit as of the Closing Date, the value of an Additional Retirement Benefit equal to employee contributions plus interest at the Closing Date will be recognized with such payment assumed to be made at the assumed retirement age.

(vi) Pre-Retirement Death Benefits:

For active participants assumed to die after 10 years of service but before retirement, the value of the joint and survivor benefit provided under Section 9.1 will be recognized, based upon the accrued pension benefit as of the Closing Date. For this purpose, 80% of all employees will be assumed to be married and females will be assumed to be three years younger than males. For active employees eligible for the Special Death Benefit under Section 9.3(a), an additional lump sum death benefit will be recognized equal to the contributions plus interest at the Closing Date.

(vii) Form of Payment:

For active participants eligible for the Surviving Spouse Option under Section 7.1(c), 60% of such participants will be assumed to elect the Surviving Spouse Option. For determining the age

of the spouse, females will be assumed to be three years younger than males. For all other active participants and terminated vested participants, a life annuity form of payment will be assumed.

(viii) Negotiated Minimum Benefit Increase

In addition, future minimum benefit increases currently scheduled as of the Closing Date will be recognized by the inclusion of an additional \$300,000 of liability.

Provided, however, that the amount so determined or the amount so transferred shall be adjusted as may be required by the PBGC or the IRS. If any such adjustment takes place after the transfer of assets contemplated hereby, such adjustment shall be effected by transfer of assets between the trust for the I-T-E Plan and the Successor Trust and such adjustment shall be in accordance with paragraph 8.1.6 hereof. Assets shall be transferred in cash, or, if the Purchaser agrees, in kind or in any combination of cash and kind.

8.1.4 Within a reasonable period after the Closing Date (but within 120 days in any event), Seller shall furnish the independent actuary or actuaries with respect to the I-T-E Plan (the "Actuary") with appropriate demographic data as of the Closing Date regarding the Transferred Employees and SPD Pensioners who are to be covered by the Successor Plan, and the Actuary shall within a reasonable period after the date Seller furnishes such data (but within 90 days thereafter, unless the Actuary is reasonably delayed and gives at least 10 days' advance written

notice of such delay), at Seller's expense, determine the Liabilities attributable to such employees as of the Closing Date, based upon the actuarial assumptions set forth in paragraph 8.1.3 above, and deliver a report of such determination to Seller. Within 15 days after receipt of such report setting forth the details of the determination and the Liabilities deemed transferred as of the Closing Date, Seller shall deliver a copy of the report to Purchaser for Purchaser's review. Should any questions arise from the Purchaser's review which Seller and Purchaser cannot resolve within a reasonable period, such questions shall be referred to persons representing each of the parties, who will attempt to resolve such questions promptly. Should such persons fail to arrive at a mutually agreeable solution of any issue, they will either (a) in good faith and as soon as possible agree upon a method of resolving such issues or, (b) within a reasonable period appoint an actuarial firm satisfactory to the parties (the cost of which will be shared one-half by the Seller and one-half by the Purchaser) to resolve such questions, which resolutions will be made by such actuarial firm within 30 days and will be binding on both parties.

8.1.5 Within a reasonably short period following the agreement with (or resolution of any issues in connection with) the Actuary's report determining the Liabilities as of the Closing Date, Seller and Purchaser shall provide the required advance notification to the IRS regarding transfers of plan assets. On the later to occur of (i) the last day of the month in which Purchaser appoints an investment manager and such investment

manager is acceptable to Seller or (ii) May 31, 1987, Seller shall cause to be segregated into a separate account (the "Segregated Account") under the Gould Inc. Master Trust (the "Master Trust") assets, the fair market value of which, equal (a) \$22 million divided by (b) the per-unit value as of the Closing Date of the units in the Master Trust, multiplied by (c) the per-unit value as of the date of segregation of such assets in the Master Trust, provided, that the amount of assets to be segregated shall be appropriately adjusted to reflect the proportionate administrative and trust expenses reasonably chargeable to the Master Trust and any payments made from the I-T-E Plan to Transferred Employees or SPD Pensioner's during the period from the Closing Date to the date of segregation. Within 45 days following agreement by Seller and Purchaser with the Actuary's report determining the Liabilities as of the Closing Date, an adjustment shall be made by transferring assets to or from the Segregated Account in accordance with the procedure described in this paragraph 8.1.5 above. After the initial segregation of assets, all administrative and trust expenses and benefits payments associated with the Transferred Employees and SPD Pensioners' shall be charged against the Segregated Account. Within a reasonable period after the later of the required IRS notification, as described above, having been provided by Seller and Purchaser or after Purchaser has delivered to Seller a copy of the IRS favorable determination letter referred to in paragraph 8.1.2, Seller shall cause to be transferred to the Successor Trust all assets in the Segregated Account, as adjusted for expenses and benefit payments.

8.1.6 The asset allocations and transfers and assumptions of liabilities set forth above shall be subject to the provisions of Section 414(1) of the Code and Section 208 of ERISA, and the Seller and the Purchaser agree to modify such arrangements if required and to the extent necessary to comply with the requirements of such provisions; provided, however, that if modification results in a reduction of the amount of assets to be transferred to the Successor Trust, Seller will pay the amount of such reduction to Purchaser.

8.1.7 Within 10 days after the establishment of the Successor Plan, Purchaser shall furnish Seller in writing the names and addresses of the "Plan Administrator" and "Fiduciaries" under the Successor Plan (as those terms are defined in ERISA). If requested by Purchaser, Seller shall for a reasonable period of time assist the Plan Administrator in the performance of administrative functions for the Successor Plan and Trust, provided Purchaser pays Seller's reasonable expenses in so acting. Seller shall act as an agent and not a fiduciary in performing such functions. The assets required to be transferred to the Successor Plan pursuant to this paragraph 8.1 shall, pending such transfer, be retained, held, invested and distributed under the Gould Inc. Master Trust for the benefit of the participants under the Successor Plan, and Purchaser shall bear its share of the trust expenses.

8.1.8 Purchaser shall hold Seller and its subsidiaries harmless against any and all liabilities and obligations arising (a) by reason of following directions from the Plan Administrator

as provided in paragraph 8.1.7 hereof, (b) from failure to pay accrued benefits under the Successor Plan as payment of such benefits becomes due, (c) by reason of a termination or amendment of the Successor Plan, (d) by reason of Purchaser's failure to establish the Successor Plan as a qualified plan under Code Section 401(a) or (e) by reason of the creation of the Segregated Account under paragraph 8.1.5 hereof.

8.1.9 Nothing in this agreement shall be construed to require that the Successor Plan provide any particular benefits or benefit levels for service after the Closing Date, to preclude a future termination of the Successor Plan or a future conversion of the Successor Plan into a defined-contribution plan, or otherwise to limit the right and power of the Purchaser to amend or terminate the Successor Plan.

8.2 Successor 401(k) Plan:

8.2.1 The Purchaser may elect in its sole discretion to establish a qualified cash-or-deferred profit-sharing plan for the benefit of some or all of its employees (the "New 401(k) Plan"). If the Purchaser establishes a New 401(k) Plan and a trust or other funding entity for such plan (the "Successor 401(k) Trust") within one hundred twenty (120) days of the Closing Date, and if the Purchaser so request within such time period, the Seller shall cause to be transferred directly to the Successor 401(k) Trust assets in an amount equal to the aggregate account balances under the Gould Inc. Investment Savings and Profit Sharing Plan (the "Gould 401(k) Plan") adjusted as of the most recent plan valuation date immediately prior to the date of transfer with respect to

each person who is eligible to participate in the New 401(k) Plan, who has an account balance under the Gould 401(k) Plan, and who consents in writing to such direct transfer (the "Account Balances"). Asset shall be transferred in cash, or, if the Purchaser agrees, in kind or any combination of cash and kind.

8.2.2. As soon as practicable after the establishment of the New 401(k) Plan and the Successor 401(k) Trust (if any), Purchaser shall apply for a determination letter from the IRS finding the New 401(k) Plan and the Successor 401(k) Trust to meet the qualification requirements of the Code.

8.2.3. Within a reasonable period after the Purchaser has notified the Seller of its desire to have assets transferred from the Gould 401(k) Plan to the New 401(k) Plan, Seller shall furnish to Purchaser information concerning the Account Balances and Seller and Purchaser shall provide any required advance notification to the IRS regarding such transfer of assets. Within a reasonable period after the later of any such required notification (but not exceeding 60 days thereafter), or after Purchaser has delivered to Seller a copy of the determination letter referred to in paragraph 8.2.2 the Seller shall cause the assets described in paragraph 8.2.2 above to be transferred to the Successor 401(k) Trust, appropriately adjusted to reflect any payments made from the Gould 401(k) Plan to participants or beneficiaries during the period from the valuation of the Account Balances to the date of transfer of the assets.

8.2.4 The asset allocations and transfers set forth above shall be subject to the provisions of Section 414(1) of the

Code and Section 208 of ERISA, and the Seller and Purchaser agree to modify such arrangements if required and to the extent necessary to comply with the requirements of such provisions.

8.3 Medical and Other Plans.

8.3.1 As of the Closing Date, the Transferred Employees will participate in Purchaser's welfare benefit plans and programs. Additionally, SPD Pensioners who are participating in Seller's retiree medical benefit or life insurance plans immediately prior to the Closing Date shall as of the Closing Date participate in substantially similar plans established by Purchaser as of such Closing Date; provided however, that with respect to the SPD Pensioners, Seller agrees to retain the liability for post-retirement life insurance through May 31, 1987; provided, further that Seller agrees to retain the liability arising under its employee welfare benefit plans and programs with respect to Incidents occurring before the Closing Date, other than any liability for disability related benefits. For purposes of this paragraph 8.3.1, "Incident" includes, without limitation, death, accident, disease, sickness and injury.

8.3.2 Within a reasonable period after the establishment of such welfare benefit plans and programs, Purchaser shall furnish to Seller in writing the names and addresses of the Plan Administrator and Fiduciaries as it may deem appropriate for such plans and programs. If requested by Purchaser, Seller shall for a reasonable period of time assist such Plan administrator in the performance of administrative functions, provided Purchaser pays

seller's reasonable expenses in so acting. Seller shall act as an agent and not as a fiduciary in performing such functions.

8.3.3 Purchaser agrees to hold Seller harmless from any and all liabilities and obligations actually incurred by Seller as a consequence of (a) Purchaser's failure to provide at any time on and after the Closing Date for those SPD Pensioners described in the second sentence of Section 8.3.1 retiree medical benefits and life insurance coverage that are substantially similar to those provided by Seller to such SPD Pensioners immediately prior to the Closing Date or (b) Purchaser's failure to pay or provide any disability related benefits for Transferred Employees or SPD Pensioners, including benefits relating to incidents occurring prior to the Closing Date.

9. CONDITIONS TO OBLIGATIONS OF PURCHASER.

Each and every obligation of Purchaser to be performed on or before the Closing Date shall be subject to the satisfaction prior thereto of the following conditions unless waived in writing by Purchaser:

9.1 Truth of Representations and Warranties. The representations and warranties made by Seller in this Agreement or given on its behalf hereunder shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made or given on and as of such date (without taking into account any amendments or supplements to the Disclosure Schedule pursuant to Section 6.2.12 hereof).

9.2 Compliance with Covenants. Seller shall have performed and complied in all material respects with all its obligations under this Agreement which are to be performed or complied with by it prior to or on the Closing Date.

9.3 Absence of Suit. No action, suit or proceeding before any court or any governmental or regulatory authority shall have been commenced or threatened, and no investigation by any governmental or regulatory authority shall have been commenced, against Purchaser, Seller or any of its affiliates, associates, officers or directors of any of them, seeking to restrain, prevent or change the transactions contemplated hereby, or questioning the validity or legality of any such transactions, or seeking damages in a material amount in connection with any such transactions.

9.4 Receipt of Approvals, Etc. All approvals, consents, assignments, releases, and/or waivers that are necessary to effect the transactions contemplated hereby or that are necessary to prevent the breach, termination or acceleration of any material Contract shall have been received and all applicable waiting periods under the HSR Act shall have expired or been waived.

9.5 No Adverse Change. As of the Closing Date there shall not have occurred any adverse change since the date hereof which materially impairs the financial condition or the operating results of the Assets, the Assumed Liabilities, the Business or the ability of the Purchaser to conduct the Business on the same basis as conducted by Seller in the past.

9.6 Other Documents. Purchaser shall have received and approved documents contemplated by this Agreement, including

without limitation, the sublease between Purchaser and Seller for the Philadelphia Site (the "Sublease") and the other required documents in connection with the Sublease (the "Sublease Documents").

9.7 Financing. Purchaser shall have obtained financing in an amount sufficient to consummate the transactions contemplated by this Agreement on terms and conditions reasonably satisfactory to Purchaser.

9.8 Real Estate Documents. Seller shall have delivered to Purchaser a commitment for title insurance committing to insure Seller's leasehold interest with respect to the Philadelphia Site in an amount equal to the fair value thereof, subject only to such minor encumbrances or imperfections, if any, which are not substantial in nature or amount and which do not detract from the value of such leasehold as presently used or impair the operations of the Division and such other matters set forth in the Disclosure Schedule or consented to by Purchaser, and with respect to such real estate which is the subject of the lease being subleased to Purchaser under the Sublease, Seller shall have delivered to Purchaser a valid survey disclosing the location of all improvements, easements, party walls, sidewalks, roadways, utility lines, and access to public streets and roads, which survey will not disclose any defect or encroachment from or onto such real estate which has not been cured or insured over prior to the Closing.

9.9 Proceedings and Instruments Satisfactory; Certificates. All proceedings, corporate or otherwise, to be taken in connection with the transactions contemplated by this Agreement shall have

occurred and all appropriate documents incident thereto as Purchaser may reasonably request shall have been delivered to Purchaser. Seller shall have delivered certificates in such detail as Purchaser may reasonably request as to compliance with the conditions set forth in this Article 9.

10. CONDITIONS PRECEDENT TO SELLER'S OBLIGATIONS.

Each and every obligation of Seller to be performed on or before the Closing Date shall be subject to the satisfaction prior thereto of the following conditions unless waived in writing by Seller:

10.1 Truth of Representations and Warranties. The representations and warranties made by Purchaser in this Agreement or given on its behalf hereunder shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made or given on and as of such date.

10.2 Purchaser's Compliance with Covenants. Purchaser shall have performed and complied in all material respects with its obligations under this Agreement which are to be performed or complied with by it prior to or on the Closing Date.

10.3 Documents. Seller shall have received and approved all documents contemplated in this Agreement, including without limitation, the Sublease.

10.4 Receipt of Approvals, Etc. All approvals, consents, assignments, releases and/or waivers that are necessary to effect the transactions contemplated hereby shall have been received, and

all applicable waiting periods under the HSR Act shall have expired or been waived.

11. INDEMNIFICATION.

11.1 Requirement of Indemnification

(a) Seller shall indemnify and hold Purchaser harmless from and against any loss, cost, expense or other damage suffered by Purchaser (including, without limitation, reasonable attorneys' fees and expenses) resulting from, arising out of, or incurred with respect to, or (in the case of claims asserted against Purchaser by a third party) alleged to result from, arise out of or have been incurred with respect to (i) the falsity or the breach of any representation, warranty or covenant made by Seller herein or (ii) any liability or obligation whatsoever of Seller set forth in paragraph 2.1 hereof, except for the Assumed Liabilities, whether arising prior to, on or after the Closing Date.

(b) Purchaser shall indemnify and hold Seller harmless from and against any loss, cost, expense or other damage suffered by Seller (including, without limitation, reasonable attorneys' fees and expenses) resulting from, arising out of, or incurred with respect to, or (in the case of claims asserted against Seller by a third party) alleged to result from, arise out of or have been incurred with respect to (i) the falsity or the breach of any representation, warranty or covenant made by Purchaser herein or (ii) the Assumed Liabilities.

11.2 Notice and Resolution of Claim.

11.2.1 An indemnified party hereunder shall promptly give notice to the indemnifying party after obtaining knowledge of any claim against the indemnified party as to which recovery may be sought against the indemnifying party because of the indemnity set forth above. If such indemnity shall arise from the claim of a third party, the indemnified party shall permit the indemnifying party to assume the defense of any such claim or any litigation resulting from such claim; provided, however, that Purchaser need not give notice to Seller nor permit Seller to assume the defense of any warranty claims to the extent the third party is making no claim for injury to person or property or business loss or interruption and that the indemnified party may (at its expense) elect to participate in such defense to the extent that it believes that such litigation will materially affect its business.

11.2.2 If the indemnifying party assumes the defense of such claim or litigation, the obligations of the indemnifying party hereunder shall include taking all steps necessary in the defense of settlement of such claim or litigation and holding the indemnified party harmless from and against any and all losses, damages and liabilities caused by or arising out of any settlement approved by the indemnifying party or any judgment in connection with such claim or litigation. The indemnifying party shall not, in the defense of such claim or litigation, consent to entry of any judgment except with the written consent of the indemnified party, or enter into any settlement (except with the written consent of the indemnified party), which does not include as an

unconditional term thereof the giving by the claimant or the plaintiff to the indemnified party a release from all liability in respect of such claim or litigation.

11.3 Defense of Third-Party Claim. Failure by the indemnifying party to notify the indemnified party of its election to defend any such claim or litigation by a third party within fifteen days after notice thereof shall have been given to the indemnifying party shall be deemed a waiver by the indemnifying party of its right to defend such claim or litigation. If the indemnifying party shall not assume the defense of any such claim by a third party or litigation resulting therefrom or if the claim relates to goods as provided in paragraph 11.2, the indemnified party may defend against such claim or litigation in such manner as it may deem appropriate and may settle such claim or litigation on such terms as it may deem appropriate.

11.4 Payment. Upon final determination that a party is entitled to indemnification under this Article by the parties or by a court of competent jurisdiction, the indemnifying party shall pay directly all liabilities, costs and expenses and/or shall promptly reimburse the indemnified party for any loss, cost, expense or other damage incurred. The indemnifying party shall reimburse the indemnified party for the amount of any judgment rendered or settlement entered into with respect to any claim by a third party the defense of which was not assumed by the indemnifying party, and for all losses and expenses, legal or otherwise, incurred by the indemnified party in connection with the defense against such claim or litigation.

11.5 Limitation on Indemnification. An indemnified party shall not be entitled to assert any right of indemnification for any loss, cost, expense or other damage suffered by it as a result of any falsity or breach of any representation or warranty by the indemnifying party herein more than 24 months subsequent to the Closing Date; provided, however, if there shall then be pending any claim for such indemnification, the indemnified party shall continue to have the right to be indemnified with respect thereto. An indemnified party shall not be entitled to indemnification hereunder for any loss, cost, expense or other damage suffered by it as a result of any falsity or breach of any representation or warranty by the indemnifying party herein unless the aggregate losses, costs, expenses and other damages suffered by it for all such falsities and breaches exceed \$250,000 and then the indemnifying party shall be responsible only for any loss, cost, expense or other damage in excess of \$250,000.

12. COVENANT NOT TO COMPETE.

12.1 Covenant.

(a) Seller covenants and agrees that, for a period of three years from the Closing Date (other than paragraph 12.1(a)(iv) below which shall be a continuing obligation of Seller), neither it nor any of its affiliates including, but not limited to, any corporation, firm or other entity in which it or they own in the aggregate five percent (5%) or more of any class of equity securities will:

(i) Directly or indirectly engage in, continue to carry on the Business or any business substantially similar thereto, including owning or controlling any financial interest in any corporation, partnership, firm or other form of business or organization which competes with or is engaged in or carries on any aspect of the Business or any business substantially similar thereto; provided, however, that after the Closing Date Seller may acquire substantially all of the assets of, or a controlling equity interest in, or be acquired by, any entity which is engaged in or carries on any aspect of the Business or any business substantially similar thereto so long as the revenue derived from such activity constitutes only an incidental portion of such entity's total revenue.

(ii) Consult with, advise or assist with respect to matters relating to the Business or a business substantially similar thereto, whether or not for consideration, any corporation, partnership, firm or other business organization which is now, becomes or may become a competitor of Purchaser in any aspect of the Business including, but not limited to, advertising or otherwise endorsing the products of any such competitor, soliciting customers or otherwise serving as an intermediary or representative for any such competitor, loaning money or rendering any other form of financial assistance to or engaging in any form of business transaction on other than an arms' length basis with any such competitor.

(iii) Sell, assign or otherwise transfer, whether for or not for consideration, any customer lists, product

specifications or designs, internal memoranda, bills, receipts or any other form of business records or documents or any tangible materials in any form concerning the Business or the Assets.

(iv) Disclose or cause to be disclosed to any person, firm or corporation any of the trade secrets, techniques, formulae or processes, relating to the Business or the Assets, or any information about the confidential affairs of the Business.

(v) Engage in any practice the purpose of which is to evade the provisions of this covenant not to compete or commit any act which is detrimental to the successful continuation of the Business and the sole use and enjoyment of the Assets by Purchaser.

12.2 Geographic Scope. The parties agree that the geographic scope of this covenant not to compete shall extend to where the Division is presently doing business. The parties understand and agree that Purchaser may expand the geographic scope of all or part of the Business within such area and this covenant not to compete shall extend to the geographic scope of Purchaser's business as expanded within such area.

12.3 Equitable Remedies. In the event of any breach of this covenant not to compete, the parties hereto recognize that the remedies at law will be inadequate and that Purchaser shall be entitled to equitable remedies (including an injunction) and other such relief as a court may deem appropriate.

12.4 Enforceability of Covenant. In the event a court of competent jurisdiction determines that the provisions of this covenant not to compete are excessively broad as to duration,

geographic scope or prohibited activities or otherwise, the parties agree that this covenant shall be reduced or curtailed to the extent necessary to render it enforceable.

13. CLOSING.

13.1 Time and Place. The closing of this transaction ("Closing") shall take place at the offices of Winston & Strawn, One First National Plaza, Chicago, Illinois at 1:00 p.m., on April 30, 1987 or at such other date, time and place as the parties hereto shall agree upon. Such date is referred to in this Agreement as the "Closing Date." For accounting purposes only, the Closing shall be deemed to have taken place at the close of business on the Closing Date.

13.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Purchaser, among other things, the following documents:

13.2.1 A certificate signed by an officer of Seller that the representations and warranties made by Seller in this Agreement, after giving effect to any supplement to the Disclosure Schedule made pursuant hereto, are true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties had been made on or given on and as of the Closing Date and that Seller has performed and complied in all material respects with all its obligations under this Agreement which are to be performed or complied with by or prior to or on the Closing Date. The delivery of such certifi-

cate shall be and constitute a representation and warranty of Seller as of the Closing Date to each of the facts stated therein.

13.2.2 A written opinion from counsel for Seller, dated as of the Closing Date, addressed to Purchaser satisfactory in form and substance to Purchaser to the effect that:

(i) The corporate existence and good standing and qualification of Seller are as stated in paragraph 4.1;

(ii) This Agreement has been duly authorized, executed and delivered by Seller and constitutes a legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms, except as such enforcement may be limited by laws affecting bankruptcy, insolvency and creditors' rights generally and subject to discretion of a court to grant equitable remedies;

(iii) Seller has all requisite power and authority to own the property of the Division and operate the Business as and where it is now being conducted and, to the knowledge of such counsel, is not a party to or subject to any agreement, commitment or understanding which restricts or may restrict the conduct of the Business in any jurisdiction or location; and

(iv) Counsel has no knowledge of any litigation Proceedings of the nature described in paragraph 4.9 except as set forth in the Disclosure Schedule;

13.2.3 A certified copy of the duly adopted resolutions of Seller's Board of Directors authorizing the transactions contemplated by this Agreement.

13.2.4 An originally executed copy of each approval, consent, assignment, release and/or waiver required to be secured by Seller hereunder.

13.2.5 The duly executed Sublease and Sublease Documents.

13.2.6 The duly executed Trade Name and Trademark License Agreement.

13.2.7 The duly executed I-T-E License Assignment.

13.2.8 The duly executed Software License Assignment.

13.2.9 The duly executed Software License Agreement.

13.2.10 The duly executed Shared-Site Sub-lease (as hereinafter defined).

13.2.11 Such other documents of transfer, certificates of authority and other documents as Purchaser may reasonably request.

13.3 Items to be Delivered by Purchaser.

At the Closing, Purchaser shall deliver to Seller, among other things:

13.3.1 A written opinion from counsel for Purchaser, dated as of the Closing Date, addressed to Seller satisfactory in form and substance to Seller to the effect that:

(1) The corporate existence and good standing of Purchaser is as stated in paragraph 5.1; and

(2) This Agreement has been duly executed and delivered by Purchaser and constitutes a legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms, except as such enforcement may be limited by

laws affecting bankruptcy, insolvency and creditors' rights generally and subject to discretion of a court to grant equitable remedies.

13.3.2 A certified copy of the duly adopted resolutions of Purchaser's Board of Directors authorizing the transactions contemplated by this Agreement.

13.3.3 The duly executed Sublease and Sublease Documents.

13.3.4 The duly executed Trade Name and Trademark License Agreement.

13.3.5 The duly executed Software License Assignment.

13.3.6 The duly executed Software License Agreement.

13.3.7 The duly executed Shared-Site Sub-lease.

13.3.8 Such other documents as Seller may reasonably request.

14. MISCELLANEOUS.

14.1 Law Governing. This Agreement shall be construed and interpreted according to the internal laws of the Commonwealth of Pennsylvania.

14.2 Assignment. This Agreement shall not be assigned by either party without the written consent of the other party and any attempted assignment without such written consent shall be null and void and without legal effect, provided that Seller acknowledges and consents to the grant by Purchaser of a security interest in its rights hereunder to Merrill Lynch Interfunding Inc. This Agreement shall be binding upon and inure to the

benefit of the respective parties hereto and their successors and permitted assigns.

14.3 Amendment and Modification. Purchaser and Seller may amend, modify and supplement this Agreement in such manner as may be agreed upon by them in writing.

14.4 Termination and Abandonment. This Agreement may be terminated and the transaction provided for by this Agreement may be abandoned without liability on the part of any part to any other, at any time before the Closing Date:

14.4.1 By mutual consent of Purchaser and Seller.

14.4.2 By Purchaser if by July 31, 1987 any of the conditions provided for in Article 9 of this Agreement have not been met and have not been waived in writing by Purchaser (except as a result of the wilful acts or omissions of such party).

14.4.3 By Seller if by July 31, 1987 any of the conditions provided for in Article 10 of this Agreement have not been met and have not been waived in writing by Seller (except as a result of the wilful acts or omissions of such party).

14.4.4 In the event of termination and abandonment by any party as above provided in this paragraph 14.4, written notice shall forthwith be given to the other party, and each party shall pay its own expenses incident to preparation for the consummation of this Agreement and the transactions contemplated hereunder; provided, however, that if the transactions contemplated by this Agreement are not consummated because of Seller's failure, inability or refusal to satisfy, perform or comply with the provisions of Article 9 hereof, Seller shall reimburse Purchaser upon demand

for all out-of-pocket expenses (including fees and disbursements of legal counsel) in connection with the transactions contemplated herein and Purchaser shall be entitled all other rights and remedies it may have at law or equity.

14.5 Expenses and Transfer Taxes. Except as provided in paragraph 14.4, Purchaser and Seller shall each bear their own accounting and legal fees and other expenses in connection with the negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby (including, without limitation, expenses incurred in connection with the parties' compliance with federal, state, local or foreign regulations applicable to the transaction). Any sales, use, transfer, stamp or similar tax due as a result of the sale and transfer of the Assets and expenses incurred in connection with the leasehold title insurance and survey described in paragraph 9.8 hereof shall be borne by Seller and Purchaser equally. To the extent that either pays any such item, the other shall, promptly upon request and satisfactory evidence related thereto, reimburse it for one-half of the amount so paid.

14.6 Notices. All notices, requests, demands and other communications hereunder shall be deemed to have been duly given, if delivered by hand or mailed, certified or registered mail with postage prepaid:

14.6.1 If to Seller to: Gould Inc., 10 Gould Center, Rolling Meadows, Illinois 60008, attention-Senior Vice President-Administration and General Counsel.

14.6.2 If to Purchaser to: SPD Technologies, Inc.,
113500 Roosevelt Boulevard, Philadelphia, Pennsylvania 19116,
attention-President; with a copy to Merrill Lynch Interfunding,
World Financial Center, North Tower, 18th Floor, New York, NY
10281, attention-John McGovern.

14.7 Announcements. Announcements to the public, employees,
customers or suppliers concerning the transactions provided for in
this Agreement by either Seller or Purchaser shall be subject to
the approval of the other in all essential respects, except that
the other party's approval shall not be required as to any state-
ments and other information which a party may submit to the
Securities and Exchange Commission or any national securities
exchange on which such party's shares are listed, or required to
be made pursuant to any rule or regulation of the Securities and
Exchange Commission or any such exchange.

14.8 Contract Consents and Novations.

14.8.1 In those cases where consents, assignments,
releases and/or waivers have not been obtained by the Closing Date
to the transfer and assignment to Purchaser of the Contracts and
other Assets (and Purchaser has elected to consummate the transac-
tion contemplated by this Agreement) and following the Closing
Date in those cases where novations have not been obtained where
required for government or other Contracts of the Division, this
Agreement, to the extent permitted by law, shall constitute an
equitable assignment by Seller to Purchaser of all of Seller's
rights, benefits, title and interest in and to the assigned
Contracts and the government or other Contracts of the Division,

and Purchaser shall be deemed to be Seller's agent for the purpose of completing, fulfilling and discharging all of Seller's rights and liabilities arising after the Closing Date under such assigned Contracts, and Seller shall take all necessary steps and actions to provide Purchaser with the benefits of such Contracts and other Assets (including without limitation, subcontracting government and other work to Purchaser).

14.8.2 Prior to the Closing Seller shall take all actions required to be taken by Seller with respect to, and following the Closing Seller shall assist Purchaser in the actions required to obtain, the required novations for the government and other Contracts of the Division (including without limitation, compiling all documents necessary for the novation of government and other Contracts requiring novation agreements; serving such notices on the government or other parties as may be required; executing such documents as may be required; coordinating with respect to the submission of such documents to the government or other parties; making such revisions and re-submissions as the government or other parties may request; and taking such other actions as may be required to obtain the government's or other parties' consent to such novation agreements). Purchaser will cooperate with Seller in the preparation and submission of any and all the above described agreements and documents, and the performance of any and all of the above-described actions.

14.9 Shared Office. The Disclosure Schedule sets forth a description of office in Virginia Beach, Virginia which employees of the Division currently occupy which is also occupied by

employees of another division of Seller. Prior to or at the Closing Purchaser and Seller shall enter into agreement setting forth the terms of Purchaser's lease of space in such office (the "Shared-Site Sub-Lease").

14.10 Entire Agreement. This instrument embodies the entire agreement between the parties hereto with respect to the transactions contemplated herein. All prior negotiations and agreements between the parties are merged in, and superseded by, this Agreement, and there are no agreements, representations or warranties between the parties other than those set forth or provided for herein.

14.11 Revenue Procedure 84-77. With respect to withholding, FICA and similar tax information applicable to the employees of the Division, Purchaser and Seller hereby accept the alternative procedure described in Section 5 of the Revenue Procedure 84-77 as promulgated by the Internal Revenue Service.

14.12 Headings. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

14.13 Further Documents. Purchaser and Seller agree to execute any and all other documents and or instruments and to take such other action or corporate proceedings as may be reasonably necessary or desirable to consummate or otherwise implement the transaction contemplated by this Agreement, including without limitation, executing such documents and taking such action as may be necessary to transfer or obtain new Licenses.

14.14 Risk of Loss. Until the Closing, all of the Assets shall remain at the risk of Seller and the Assumed Liabilities

shall remain the sole responsibility of Seller. In the event that prior to completion of the Closing any material Asset is damaged, destroyed or lost, Purchaser, at its option, may (a) exercise any rights of Purchaser pursuant to paragraph 14.4, (b) reduce the Purchase Price by the value thereof, if destroyed or loss, or by the cost of repair, if damaged, or (c) complete the purchase without reduction of the Purchase Price and take an assignment of all insurance proceeds and other payments to Seller as a result of such damage, destruction or loss. Subparagraph (c) shall also apply in the case of damage, loss or destruction of any Assets whether material or not.

14.15 Severability. The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, the Agreement shall be construed with the invalid or inoperative provision deleted and the rights and obligations of the parties shall be construed and enforced accordingly.

14.16 Proration. Real estate taxes imposed upon or against the Philadelphia Site or any interest therein conveyed hereunder and water, sewer, utility and similar operating charges relating to the Philadelphia Site shall be prorated as of the Closing. Special assessments, if any, for work actually commenced on or before the date hereof shall be paid by Seller, and those for work actually commenced after the date hereof shall be paid by Purchaser.

14.17 Bulk Transfer Laws. Purchaser hereby waives compliance by Seller with the provisions of any so-called Bulk Transfer Laws of any jurisdiction in connection with the sale of the Assets to

Purchaser. Seller shall indemnify and hold harmless Purchaser against all liabilities of Seller which may be asserted by third parties against Purchaser and other damages as a result of non-compliance with any such Bulk Transfer Laws, other than the Assumed Liabilities.

14.18 Removal of Name. Purchaser shall, as soon as practicable, but not later than 180 days after the Closing Date, remove the corporate names, trademarks, trade names, logos and other designs of Seller, and any of its divisions or subsidiaries (other than those included in the Assets), from all signs, advertising materials, literature, labels, stationery, office forms, packaging supplies or inventory (except packaging and inventory on hand or on order at the Closing), and will not use, or permit the use of, any such corporate name, trademark, trade name, logo or other design in connection with the Business or otherwise after such 180-day period, except as needed to use stocks contained in the Assets and as may be permitted by the provisions of the Trade Name and Trademark License Agreement (Exhibit 6.3 hereto).

14.9 Cooperation. Following the Closing, in the event Seller receives the proceeds of any accounts receivable of the Division, Seller shall promptly transmit to Purchaser the same in the form received by Seller. At Purchaser's expense and request, Seller will undertake collection action with respect to accounts receivable of the Division from government and other Contracts requiring novation of the Division. Following the Closing, in the event a party receives, cash or cash equivalents, correspondence,

documents or other items of the other party, the receiving party shall promptly forward the same to the other party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed all as of the date and year first above written.

GOULD INC.

[Corporate Seal]

By

[Signature]
Its VP

Attest:

[Signature]
Assistant Secretary

[Corporate Seal]

SPD TECHNOLOGIES INC.

By

[Signature]
Its President

Attest:

[Signature]
~~Assistant~~ Secretary

L-3 Communications Holdings, Inc. and Subsidiaries

As of October 18, 2001

L-3 Communications Holdings, Inc.**L-3 Communications Corporation**

3931170 Canada Inc.

AMI Instruments, Inc.

Aviation Communications & Surveillance Systems LLC an L-3 Communications & Thales Co

C3-ilex, LLC (31.5% or 35%)

Coleman Research Corporation

Delsub, Inc.

Digital Technics, L.L.C.

Digital Technics, L.P. (25% + 75%)

EER Systems, Inc.

Electrodynamica, Inc.

Honeywell TCAS Inc.

Hygienetics Environmental Services, Inc.

Interstate Electronics Corporation

KDI Precision Products, Inc.

L-3 Communications Anco Corporation

L-3 Communications Atlantic Science & Technology Corporation

L3 Communications Australia Proprietary Limited

L-3 Communications Aydin Corporation

Aydin Foreign Sales Limited

Aydin Investments, Inc.

Aydin S.A. (19%)

Aydin Yazilim ve Elektronik Sanayi A.S. (40%)

L-3 Communications Global Network Solutions U.K. Ltd.

L-3 Communications DBS Microwave, Inc.

L-3 Communications ESSCO, Inc.

Electronic Space Systems International Corp.

Electronic Space Systems (UK) Limited (90%)

ESSCO Collins Limited (99.99%)

ESSCO Satellite Systems Corp.

L-3 Communications Holding GmbH

L-3 Communications ELAC Nautik GmbH

Arbeitsmedizinische Betreuungsgesellschaft Kieler Betriebe mbH (50%)

ELAC Nautik Unterstützungskasse GmbH

Power Paragon (Deutschland) Holding GmbH (99% +1%)

EuroAtlas Gesellschaft für Leistungselektronik mbH

JovyAtlas Elektrische Umformtechnik GmbH

Astrid Energy Enterprises S.R.L. (10%)

Narda Safety Test Solutions GmbH

PMM Costruzioni Elettroniche Centro Misura Radioelettriche S.r.l. (98%)

EMC S.r.l. (33%)

Itel Solutions, LLC (50%)

L-3 Communications Secure Information Technology, Inc.

L-3 Communications Network Security Systems, LLC (53.9535%)

L-3 Communications Security Systems Corporation

L-3 Communications SPD Technologies, Inc.

SPD Holdings, Inc.

Henschel Inc.

Pac Ord Inc.

Power Paragon, Inc.

SPD Electrical Systems, Inc.

SPD Switchgear Inc.

L-3 Communications Storm Control Systems, Inc.

L-3 Communications U.K. Ltd.

Storm Control Systems Limited

L-3 Management Corp.

L-3 Microdyne Holdings Corporation

LogiMetrics, Inc. (53.5%)

LogiMetrics FSC, Inc. (53.5%)

mmTECH, INC. (53.5%)

L-Tres Comunicaciones Costa Rica, S.A.

Medical Education Technologies, Inc. (33.3%)

Microdyne Corporation

Microdyne Communications Technologies Incorporated

MCTI Acquisition Corporation

Apcom, Inc.

Calerity Systems Incorporated

Microdyne Ltd.

Microdyne Outsourcing Incorporated

MPRI, Inc.

Southern California Microwave, Inc.

SpaceTel Communications Corp.

TrexCom (Asia) PTE, Ltd.

Delaware

Delaware

Canada

Oklahoma

Delaware

California

Florida

Delaware

Delaware

Delaware

Virginia

Arizona

Delaware

Delaware

California

Delaware

Delaware

New Jersey

Australia

Delaware

Guam

Delaware

Argentina

Turkey

United Kingdom

California

Delaware

U.S. Virgin Islands

United Kingdom

Republic of Ireland

Delaware

Federal Republic of Germany

Federal Republic of Germany

Federal Republic of Germany

Federal Republic of Germany

Federal Republic of Germany

Federal Republic of Germany

Federal Republic of Germany

Italy

Federal Republic of Germany

Republic of Italy

Republic of Italy

Delaware

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Delaware

Delaware

Delaware

California

United Kingdom

United Kingdom

Delaware

Maryland

Delaware

U.S. Virgin Islands

New Jersey

Costa Rica

Delaware

Maryland

Maryland

Maryland

Maryland

California

U.S. Virgin Islands

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AMENDED AND RESTATED

AGREEMENT AND PLAN OF MERGER

dated as of

August 13, 1998

by and among

L-3 COMMUNICATIONS CORPORATION,

SPD MERGER CO.,

SPD TECHNOLOGIES, INC.

and

MIDMARK CAPITAL, L.P.

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AMENDED AND RESTATED
AGREEMENT AND PLAN OF MERGER

This Amended and Restated Agreement and Plan of Merger dated as of August 13, 1998 (this "Agreement"), is entered into by and among L-3 COMMUNICATIONS CORPORATION, a Delaware corporation ("ACQUIROR"), SPD MERGER CO., a Delaware corporation and a wholly-owned subsidiary of ACQUIROR ("Merger Sub"), SPD TECHNOLOGIES, INC., a Delaware corporation ("SPD"), and MIDMARK CAPITAL, L.P. ("MidMark"), a Delaware limited partnership, solely in its capacity as the initial Holder Representative hereunder.

WHEREAS, the parties have previously entered into an Agreement and Plan of Merger dated as of July 2, 1998 (the "Original Agreement"); and

WHEREAS, the parties wish to modify a number of the agreements and understandings set forth in such Agreement and Plan of Merger by entering into the Amended and Restated Agreement and Plan of Merger;

NOW, THEREFORE, the parties agree as follows:

PLAN OF MERGER

A. ACQUIROR, Merger Sub and SPD (Merger Sub and SPD sometimes being referred herein to as the "Constituent Corporations") are hereby adopting a plan of merger, providing for the merger of Merger Sub with and into SPD, with SPD being the surviving corporation. This merger (the "Merger") will be consummated in accordance with this Agreement and evidenced by a Certificate of Merger between Merger Sub and SPD in substantially the form of Annex A hereto (the "Certificate of Merger"), such Merger to be consummated as of the Effective Time of the Merger (as defined below).

B. Upon consummation of the Merger, the separate corporate existence of Merger Sub shall cease and SPD, as the surviving corporation in the Merger (hereinafter referred to for the periods on and after the Effective Time of the Merger as the "Surviving Corporation"), shall continue its corporate existence under the Delaware General Corporation Law (the "DGCL") as a wholly-owned Subsidiary of ACQUIROR.

C. On and after the Effective Time of the Merger, the Surviving Corporation shall thereupon and thereafter possess all of the rights, privileges, powers and franchises, of a public as well as a private nature, of the Constituent Corporations, and shall become subject to all the restrictions, disabilities and duties of each of the Constituent Corporations; and all rights, privileges, powers and franchises of each Constituent Corporation, and all property, real, personal and mixed, and all debts due to each such Constituent Corporation, on whatever account, and all choses in action belonging to each such corporation, shall become vested in the Surviving Corporation, and all property, rights, privileges, powers and franchises, and all and every other interest shall become thereafter the property of the Surviving Corporation as they are of the Constituent Corporations; and the title to any real property vested by deed or otherwise or any other interest in real estate vested by any instrument or otherwise in either of such Constituent Corporations shall not revert or become in any way impaired by reason of the Merger; but all Liens upon any property of either Constituent Corporation shall therefore attach to the Surviving Corporation and shall be enforceable against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it; all of the foregoing in accordance with the applicable provisions of the DGCL and this Agreement.

D. At the Effective Time of the Merger, the Certificate of Incorporation and Bylaws of the Surviving Corporation shall be the Certificate of Incorporation and Bylaws of SPD, until thereafter amended as provided therein and under the DGCL, and the directors and officers of the Surviving Corporation shall be the directors and officers of Merger Sub immediately prior to the Effective Time of the Merger.

E. Concurrently with the execution of this Agreement, ACQUIROR and SPD Principal Stockholders have entered into a No-Shopping Agreement.

F. For certain limited purposes, and subject to the terms set forth herein, the Holder Representative shall serve as a representative of the holders of SPD Shares and Options (as each is defined below).

G. Certain capitalized terms used herein have the meanings ascribed to such terms in Article X hereof.

AGREEMENT

In order to consummate the Merger, and in consideration of the mutual agreements hereinafter contained, ACQUIROR, Merger Sub and SPD agree as follows:

ARTICLE I

THE MERGER

Section 1.1 Conversion of SPD Shares and Options.

(a) At the Effective Time of the Merger, each share (a "SPD Share") of the Voting Class A Common Stock, par value \$.01 per share, of SPD (the "SPD Class A Common Stock"); each share of Non-Voting Class B Common Stock, par value \$.01 per share, of SPD (the "SPD Class B Common Stock" and, together with SPD Class A Common Stock, the "SPD Common Stock"); and each share of Series A Preferred Stock, par value \$0.01 per share (the "SPD Preferred Stock" and, together with SPD Common

Stock, the "SPD Stock") that is then issued and outstanding (other than shares, if any, held in the treasury of SPD, which treasury shares shall be canceled as part of the Merger), and each outstanding, unexercised option and warrant or other security to purchase or acquire SPD Shares from SPD (whether or not vested) (such warrants, options and other securities being referred to as the "Options"), shall thereupon be purchased back and canceled by SPD and be converted into and become the right to receive, as a cancellation payment, the applicable portion of the Merger Consideration (defined below), as determined pursuant to Section 1.1(d) (with each Employee Option (defined below) being canceled immediately prior to the Effective Time of the Merger) .

(b) At the Effective Time of the Merger, each share of common stock, par value \$0.01 per share, of Merger Sub shall be converted into one share of common stock, par value \$0.01 per share, of the Surviving Corporation.

(c) Subject to the adjustments set forth in Section 1.4, the "Merger Consideration" shall consist of a cash payment equal to (i) \$230 million, plus (ii) the difference between the Adjusted Net Assets (as defined below) of SPD as of December 31, 1997 (\$18,497,770) and the parties' agreed-upon good faith estimate of Adjusted Net Assets of SPD as of the Closing (as defined below) (which good faith estimate shall be mutually agreed upon by the parties at least five days in advance of the Closing), less (iii) the aggregate principal amount of Funded Debt of SPD and its consolidated Subsidiaries, if any, and all accrued interest thereon, that remains outstanding as of the Closing, plus (iv) the amount of cash and cash equivalents of SPD and its consolidated Subsidiaries as of the Closing, if any, less (v) the amount of Holder Allocable Expenses paid by ACQUIROR to the Holder Representative at Closing in accordance with Section 1.5.

(d) The Merger Consideration shall be allocated among the holders of SPD Shares and the Options as set forth below in this subsection 1.1(d). Each holder of SPD Preferred Shares shall be entitled to receive a portion of the Merger Consideration equal to (x) \$100, plus accrued and unpaid dividends of eight percent (8%) per annum calculated from January 1, 1997 to the Closing Date, multiplied by (y) the number of SPD Preferred Shares held by such holder as of the Effective Time of the Merger (the aggregate amount paid in respect of SPD Preferred Shares, the "Preferred Consideration"). Each holder of SPD Common Shares shall be entitled to receive a portion of the Merger Consideration equal to (x) the Cash Per Fully-Diluted Common Share (as defined below), multiplied by (y) the number of SPD Common Shares held by such holder as of the Effective Time of the Merger (but not including any SPD Common Shares issuable upon the exercise of any Options held by such holder) (the "Common Consideration"). Each holder of Options shall (x) surrender to the Exchange Agent and/or the Holder Representative all Options held, and shall execute a Holder Acknowledgement acknowledging that all such Options, including Employee Options are being purchased back and canceled by SPD, and in all cases that such Options shall thereafter be extinguished and no longer outstanding for all purposes; and (y) shall thereafter be entitled to receive a portion of the Merger Consideration equal to (i) the Cash Per Fully-Diluted Common Share, multiplied by the aggregate number of SPD Common Shares issuable upon exercise in full of all Options held by such holder as of the Effective Time of the Merger, minus (ii) the aggregate cash exercise price payable upon exercise of all Options held by such holder. For purposes of the foregoing, the "Cash Per Fully-Diluted Common Share" shall mean (1) the sum of (A) the Merger Consideration,

less (B) the Preferred Consideration, plus (C) the Aggregate Option Exercise Price (defined below), divided by (ii), the Aggregate Fully-Diluted SPD Common Shares. The "Aggregate Fully-Diluted SPD Common Shares" shall be the sum of SPD Common Shares held by all holders, plus SPD Common Shares issuable upon the exercise in full of all Options held by all holders, and the "Aggregate Option Exercise Price" shall mean the sum of the cash exercise prices payable upon exercise in full of all Options held by all holders.

(e) For purposes of clarification, under no circumstances shall the provisions of Section 1.1(d) result in any increase or decrease in the Merger Consideration or cause any holder of SPD Shares or Options to become entitled to receive any amount in excess of the portion of the Merger Consideration allocated to him pursuant to the terms of such section, it being the intention of the parties that Section 1.1(d) deal solely with the allocation of the Merger Consideration among the holders of SPD Shares and Options.

Section 1.2 Payment and Exchange of Certificates.

(a) Immediately prior to the Effective Time of the Merger, ACQUIROR will pay to an exchange agent (the "Exchange Agent") selected by SPD and reasonably acceptable to ACQUIROR, by wire transfer of immediately available funds, an amount (the "Funding Amount") equal to the Merger Consideration, determined prior to giving effect to the adjustments provided for in Section 1.4 hereof. Upon (i) payment by ACQUIROR to the Exchange Agent of the Funding Amount and (ii) payment by ACQUIROR to the Holder Representative of the estimated Holder Allocable Expenses pursuant to Section 1.5 hereof, ACQUIROR shall be deemed to have satisfied its obligations to make payments in respect of the Merger Consideration other than

Acquiror's obligation to make payments required by Section 1.4 hereof, if any. The Exchange Agent shall invest the Funding Amount as directed by the Holder Representative in writing with any income earned on such investments being paid to the Holder Representative for the benefit of holders of SPD Shares and Options; such income shall not become a part of the Funding Amount.

(b) After the Effective Time of the Merger, each holder of an outstanding certificate or certificates for SPD Shares and/or Options (collectively, the "Certificates") upon surrender of such Certificates to the Exchange Agent (or, in the case of a holder of Options, upon delivery of a Holder Acknowledgement to the Exchange Agent), shall be entitled to receive from ACQUIROR (or from the Exchange Agent on Acquiror's behalf) in exchange therefor, (subject to the provisions of Section 1.4 below) such percentage (the "Applicable Percentage") of the Merger Consideration into which such holder's SPD Shares and/or Options shall have been converted as a result of the Merger, provided that any payment with respect to Options held by employees of SPD or any of its Subsidiaries ("Employee Options") shall be reduced by the amount of any taxes required to be withheld under applicable law with respect to such payments and amounts so withheld shall be paid by the Exchange Agent to the Surviving Corporation for disbursement to the applicable taxing authority. Pending such surrender and exchange (or, in the case of a holder of Options, upon such delivery of a Holder Acknowledgment), a holder's certificate or certificates for SPD Shares and/or Options shall be deemed for all purposes (other than the exchange contemplated by this Section 1.2) to evidence such holder's Applicable Percentage of the Merger Consideration into which such SPD Shares and/or Options shall have been converted by the Merger.

(c) On the one-year anniversary of the Closing Date, any amounts on deposit with the Exchange Agent shall be delivered to the Holder Representative, and thereafter any holder of Certificates shall look only to the Holder Representative for payment of Merger Consideration with respect thereto.

Section 1.3 Effective Time of Merger: Closing. As soon as practicable following the satisfaction (or, to the extent permitted, the waiver) of all conditions to the Merger set forth in this Agreement, and provided that this Agreement has not been terminated pursuant to the provisions hereof, Merger Sub and SPD shall cause the Certificate of Merger to be executed and filed with the Secretary of State of Delaware as provided in Section 251 of the DGCL. For purposes of this Agreement, the "Effective Time of the Merger" shall mean the close of business on the date on which the Certificate of Merger has been duly filed in the Office of the Secretary of State of Delaware and has become effective in accordance with the DGCL; and the term "Closing Date" shall mean the date on which the Effective Time of the Merger occurs.

Section 1.4 Adjusted Net Assets Adjustment(a) As soon as reasonably practicable following the Closing Date, and in any event within ninety (90) calendar days thereof, the Holder Representative shall prepare and deliver to ACQUIROR (i) a consolidated balance sheet of SPD and its consolidated Subsidiaries as of the Closing which shall be audited by Grant Thornton LLP ("Grant Thornton") (together with the related audit report of such firm, the "Closing Balance Sheet"), (ii) a calculation of Adjusted Net Assets (defined below) of SPD and its consolidated Subsidiaries as set forth on the Closing Balance Sheet ("Closing Date Adjusted Net Assets"), and (iii) federal and applicable state tax returns of SPD and its consolidated Subsidiaries for the tax year

beginning on January 1, 1998 and ending on the Closing Date (the "Stub Period Tax Returns"). The Closing Balance Sheet shall be prepared in accordance with United States generally accepted accounting principles ("GAAP") consistent with the preparation of the historical consolidated financial statements of SPD and its consolidated Subsidiaries, shall fairly present the consolidated financial position of SPD and its consolidated Subsidiaries as of the Closing, and shall be based upon a physical inventory count taken by Grant Thornton and observed by ACQUIROR's accountants, such count to be taken after the Closing Date on such date as the parties may mutually agree, and adjusted back to the Closing Date through the application of inventory records. Following the Closing, ACQUIROR shall provide the Holder Representative with access to the records and employees of SPD to the extent necessary for the preparation of the Closing Balance Sheet and the Stub Period Tax Returns and shall cause the employees of SPD to cooperate with the Holder Representative in connection with its preparation of the Closing Balance Sheet and Stub Period Tax Returns. "Adjusted Net Assets" as of any date shall, except as provided below, mean (i) the consolidated assets of SPD and its consolidated Subsidiaries as of such date, adjusted to exclude (1) cash and cash equivalents, (2) goodwill and related accumulated amortization, (3) deferred financing costs and related accumulated amortization, and (4) (a) any Tax refund receivable or (b) any asset relating to the Loss CarryBack, minus (ii) the consolidated liabilities of SPD and its consolidated subsidiaries (with accrued tax liabilities which would otherwise appear as a liability reduced or eliminated by reason of the application of any current tax deductions arising out of the cancellation of the Employee Options on or prior to the Closing Date), adjusted to exclude adjusted to (1) exclude the current and long-term

portions of Funded Debt and all accrued interest thereon as of such date and (2) include any accrued tax liabilities which would otherwise have been reduced or eliminated by reason of the application of any current tax deductions arising out of the cancellation of Employee Options pursuant to Section 1.1(d) of this Agreement. The parties shall apply the following additional agreements and clarifications with respect to the determination of the Closing Date Adjusted Net Assets:

(i) Adjustment of Reserves and Valuation Accounts. In the determination of the Closing Date Adjusted Net Assets, the amount of any reserves or valuation accounts shall be determined by applying methods, practices, assumptions, policies, factors, and underlying data consistent with those used in determining the reserves or valuation accounts included in the December 31, 1997 Balance Sheet, and there shall be no changes made to any reserves or valuation accounts (including, without limitation, contract reserves, purchase accounting reserves, deferred tax asset valuation accounts, allowances for bad debts, inventory reserves of any kind, warranty reserves and other reserves) except to the extent that such changes are required by changes in facts and events occurring after December 31, 1997 and before the Closing Date, it being further understood that there shall be no increase in the Closing Date Adjusted Net Assets as a result of any reversal, reduction or other usage of reserves unless such reversal or usage arises out of facts or events that occur after December 31, 1997 and before the Closing Date.

(ii) Contract Estimates at Completion ("EAC"). In the determination of the Closing Date Adjusted Net Assets, there shall be no changes to the contract EACs from those contract EACs used in the preparation of the December 31,

1997 Balance Sheet, except to the extent that such changes are required by changes in facts and events occurring after December 31, 1997 and before the Closing Date.

(iii) Loss Contracts. In the determination of the Closing Date Adjusted Net Assets, there shall be no changes made to the provisions for loss contracts from those used in the preparation of the December 31, 1997 Balance Sheet, except to the extent that such changes are required by changes in facts and events occurring after December 31, 1997 and before the Closing Date.

(iv) Tax Liability. For purposes of calculating the Adjustment Amount under Section 1.4(c), tax liability shall be the actual and not the accrued tax liability determined for the tax period of SPD and/or any of its consolidated affiliates closing on the Closing Date and reflected on the final Stub Period Tax Returns to be prepared in accordance with Section 1.4(a)(iii).

(b) Upon delivery of the Closing Balance Sheet and Stub Period Tax Returns, the Holder Representative will provide ACQUIROR and its respective accountants full access to SPD's records, and will provide ACQUIROR and its accountants access to the work papers of Grant Thornton in accordance with Grant Thornton's usual practices, to the extent reasonably related to Acquiror's evaluation of the Closing Balance Sheet, the calculation of Closing Date Adjusted Net Assets and the Stub Period Tax Returns. If ACQUIROR shall disagree with the calculation of Closing Date Adjusted Net Assets and/or with the Stub Period Tax Returns (including the inclusion on the Stub Period Tax Returns of any current tax deduction arising out of the exercise of the Employee Options prior to the Closing Date), it shall notify the Holder Representative of such disagreement in writing, setting forth in detail the particulars of

such disagreement, within thirty (30) days after its receipt of the Closing Balance Sheet and the Stub Period Tax Returns. In the event that ACQUIROR does not provide such a notice of disagreement within such thirty (30) day period, ACQUIROR shall be deemed to have accepted the Closing Balance Sheet, the calculation of the Closing Date Adjusted Net Assets and the Stub Period Tax Returns delivered by the Holder Representative, which shall be final, binding and conclusive for all purposes hereunder. In the event any such notice of disagreement is timely provided, ACQUIROR and the Holder Representative shall use their reasonable best efforts for a period of thirty (30) days (or such longer period as they may mutually agree) to resolve any disagreements with respect to the calculation of Closing Date Adjusted Net Assets or with respect to the Stub Period Tax Returns. If, at the end of such period, they are unable to resolve such disagreements, then another independent accounting firm of recognized national standing as may be mutually selected by ACQUIROR and the Holder Representative (the "Auditor") shall resolve any remaining disagreements. The Auditor shall determine as promptly as practicable, but in any event within thirty (30) days of the date on which such dispute is referred to the Auditor, whether the Closing Balance Sheet was prepared in accordance with the standards set forth in Section 1.4(a); and (only with respect to the remaining disagreements submitted to the Auditor) whether and to what extent (if any) Closing Date Adjusted Net Assets or the Stub Period Tax Returns require adjustment. The fees and expenses of the Auditor shall be paid one-half by ACQUIROR and one-half as a Holder Allocable Expense pursuant to Section 1.5 hereof. The determination of the Auditor shall be final, conclusive and binding on the parties. The date on which Closing Date Adjusted

Net Assets and the Stub Period Tax Returns is finally determined in accordance with this Section 1.4(b) is hereinafter referred as to the "Determination Date."

(c) The "Adjustment Amount," which may be positive or negative, shall mean the sum of: (1) the Closing Date Adjusted Net Assets, minus the agreed-upon good faith estimate of Adjusted Net Assets as of Closing used for purposes of calculating the Merger Consideration pursuant to Section 1.1(c) and (2) the actual tax savings reflected on tax Stub Period Tax Returns due to the deductions resulting from the cancellation of Employee Options on or prior to the Closing Date. The actual tax savings reflected on any Stub Period Tax Return due to the deductions resulting from the cancellation of the Employee Options on or prior to the Closing Date shall equal the difference, if any, from that reflected on or pro forma Stub Period Tax Return, prepared without taking such deductions into account and the actual Stub Period Tax Return. If the Adjustment Amount is a positive number, then the Merger Consideration will be increased by the Adjustment Amount, and if the Adjustment Amount is a negative number, the Merger Consideration will be decreased by the Adjustment Amount.

(d) Notwithstanding the foregoing provisions of this Article I, on the Closing Date, out of the Merger Consideration paid to the Exchange Agent, an amount equal to either (i) \$2,000,000, if the difference between the Adjusted Net Assets of SPD as of December 31, 1997 (\$18,497,770) and the parties' agreed-upon good faith estimate of Adjusted Net Assets of SPD as of Closing is \$10,000,000 or less, or (ii) twenty-five percent (25%) of such difference, if such difference is greater than \$10,000,000 (such amount being hereinafter referred to as the "Adjustment Escrow Amount"), shall be held, invested and disbursed by the Exchange Agent as "Escrow

Agent" in accordance with the terms of the Adjustment Escrow Agreement substantially in the form attached hereto as Annex B. If the Adjustment Amount is a positive number, then, promptly following the Determination Date, and in any event within five (5) business days of the Determination Date, (i) the Escrow Agent shall pay to the Holder Representative for distribution to the holders of SPD Common Shares and Options entitled to receive the Merger Consideration (pro rata, in accordance with their respective Applicable Percentages) the Adjustment Escrow Amount, together with any interest earned thereon, and (ii) the Acquiror shall pay to the Holder Representative, for distribution to the holders of SPD Shares and Options, the Adjustment Amount, together with interest thereon from the Closing Date to the date of payment at the rate of interest published in the "Money Rates" column of the Eastern Edition of The Wall Street Journal (or the average of such rates if more than one rate is indicated) on the Closing Date. If the Adjustment Amount is a negative number, then, promptly following the Determination Date, and in any event within five (5) business days of the Determination Date, (i) the Escrow Agent shall pay to ACQUIROR out of the Adjustment Escrow Amount an amount equal to the lesser of the Adjustment Amount or the Adjustment Escrow Amount, together with all interest earned thereon (with any remaining Adjustment Escrow Amount to be paid to the Holder Representative for distribution to the holders of SPD Shares and Options), and (ii) to the extent that the Adjustment Escrow Amount is less than the Adjustment Amount, the holders of SPD Shares and Options shall be liable to pay to ACQUIROR, and the Holder Representative shall cause the holders of SPD Shares and Options and/or shall withhold from such holders out of the Merger Consideration such amounts as shall be necessary to pay to ACQUIROR

such shortfall together with interest thereon from the Closing Date to the date of payment at the rate of interest published in the "Money Rates" column of the Eastern Edition of The Wall Street Journal (or the average of such rates if more than one rate is indicated) on the Closing Date. Notwithstanding the foregoing, any distributions to the holders of Employee Options pursuant to this Section 1.4(d) shall be net of the amount of any taxes required to be withheld from such distributions under applicable law, and the amounts so withheld shall be paid over to the Surviving Corporation for payment by the Surviving Corporation to the applicable governmental authority as required by law.

(e) Notwithstanding the foregoing provisions of this Article I, on the Closing Date, \$10,000,000 (the "Indemnification Escrow Amount") of the Merger Consideration shall be paid by ACQUIROR to the Exchange Agent to be held in escrow as set forth herein. The Indemnification Escrow Amount shall be held and invested by the Exchange Agent as "Escrow Agent" in accordance with the terms of an Indemnification Escrow Agreement substantially in the form attached hereto as Annex C hereto (the "Indemnification Escrow Agreement").

(f) Following the Closing, the Holder Representative, with the assistance of such employees of SPD as the Holder Representative may reasonably request (during normal working hours, and without payment to SPD for such employees time), shall cause Grant Thornton to prepare and file federal and state tax returns of SPD and/or any of its consolidated subsidiaries for the following periods: (i) amended returns for the tax period ending December 31, 1997, and (ii) amended returns for the tax period ending December 31, 1996 (or, in the case of Power Paragon, Inc., its tax period ending June 30, 1997); in each case carrying back any and all available tax deductions, including

any tax deductions resulting from the Loss CarryBack. ACQUIROR shall cause SPD to execute and file such amended tax returns. The Holder Representative shall have the exclusive right and authority to prepare such returns, including the making of any elections which the Holder Representative may deem to be necessary or desirable thereunder, provided, that, the ACQUIROR shall be given the opportunity to (i) review such amended tax returns, and, (ii) to the extent such amended tax returns as prepared would adversely effect a post-closing tax period, or portion thereof, ACQUIROR, SPD or any of their Affiliates, may suggest any reasonable changes to such amended tax returns, which shall be incorporated into the filing of such amended tax returns. The Holder Representative must be notified of any proposed change pursuant to clause (ii) of the preceding sentence within 30 days after ACQUIROR reviews such amended return, and in the event of a dispute as to the reasonableness as to the change, then such dispute shall be resolved in the same manner as disputes are resolved under Section 1.4(b). SPD shall deliver all refunds resulting from the filing of such amended returns to the Holder Representative for distribution to the holders of SPD Shares and Options (pro rata, in accordance with their respective Applicable Percentages) provided, that, any refunds relating to loss or credit carrybacks (other than the Loss CarryBack) from a post-closing year or portion thereof, shall be for the benefit of the ACQUIROR. In the event that the amount of any refund that would otherwise be payable to the Holder Representative under this Section 1.4(f) is in any manner reduced or offset due to the sole action or inaction of SPD and/or ACQUIROR after the Closing Date (other than an action or inaction undertaken or foregone to avoid an adverse affect on the post-Closing tax liability of ACQUIROR, SPD or any of their Affiliates), ACQUIROR shall make

payment to the Holder Representative in an amount equal to such reduction or offset. In the event there is a determination disallowing such refund, the related liability for Taxes shall be borne by the Holders of SPD Shares and Options and paid by the Holder Representative.

(g) In the event that any tax deductions resulting from the cancellation of the Employee Options are not fully utilized to reduce tax liabilities on the Stub Period Tax Returns or any of the returns for the tax periods referenced in Section 1.4(f), such tax deductions shall be carried forward by SPD and/or the ACQUIROR (to the extent permitted under applicable tax law) to reduce future tax liabilities provided, that, such tax deductions are part of a net operating loss carryforward arising from such tax periods. If such net operating loss carryforward results in an actual reduction of tax liability of SPD, ACQUIROR and/or any of their respective Affiliates, ACQUIROR shall promptly remit to the Holder Representative, for distribution to the holders of SPD Shares and Options, the amount of such tax savings. The actual reduction of tax liability resulting from the net operating loss carryforward shall equal the difference in the tax liability, if any, from that reflected on the tax return for the year to which the carryforward is utilized and if such carryforward were not utilized (determined by taking into account only the portion of the carryforward attributable to the deductions from the cancellation of the Employee Options). ACQUIROR, SPD and their Affiliates shall use their respective good faith efforts to utilize any tax deductions, including any net operating loss carryforward, arising from the cancellation of the Employee Options in a manner to maximize and accomplish the realization of the tax savings, and will not voluntarily waive their ability to utilize the same, unless the utilization of such tax deduction would adversely effect the

tax liability for a post-closing tax period, or portion thereof, of ACQUIROR, SPD or any of their Affiliates.

(h) Notwithstanding anything to the contrary in this Agreement, it is the intention of the parties that the economic benefit of any tax savings recognized as a result of deductions attributable to the cancellation of the Employee Options (the "Tax Savings"), whether by SPD, ACQUIROR, and/or any of the respective Affiliates, shall be for the benefit of, and shall be additional Merger Consideration payable to the holders of SPD Shares and Options.

Section 1.5 Holder Allocable Expenses. On or prior to the Closing Date, the Holder Representative will provide to ACQUIROR an estimate (which estimate shall include such reserves as the Holder Representative determines in good faith to be appropriate for any Holder Allocable Expenses that are not then known or determinable) of the following fees and expenses that may be incurred by the Holder Representative on behalf of SPD and the holders of SPD Shares and Options in connection with the preparation, negotiation and execution of this Agreement and the consummation of the transactions contemplated hereby: (i) the fees and disbursements of counsel to SPD and/or the Holder Representative incurred in connection with the transactions contemplated hereby, (ii) the fees and expenses of any other agents, advisors, consultants and experts employed by SPD and/or the Holder Representative in connection with the Merger, (iii) if necessary, one-half of the fees and expenses of the Auditor and (iv) the expenses of the Holder Representative incurred in such capacity (the "Holder Allocable Expenses"). On the Closing Date, ACQUIROR shall pay to the Holder Representative cash in the amount of such estimated Holder Allocable Expenses and the Holder

Representative shall use such cash to pay the Holder Allocable Expenses. In no event will ACQUIROR be responsible for payment of Holder Allocable Expenses in excess of the cash amounts paid to the Holder Representative by ACQUIROR under this Section 1.5.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF SPD

SPD represents and warrants to ACQUIROR and Merger Sub as follows:

Section 2.1. Corporate Organization of SPD. SPD has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has the corporate power and authority to own or lease and to operate its properties and to conduct its business as it is now being conducted. The copies of the Certificate of Incorporation and Bylaws of SPD previously made available by SPD to ACQUIROR are true, correct and complete. SPD is duly licensed or qualified and in good standing as a foreign corporation in each jurisdiction in which the ownership of its property or the character of its activities is such as to require it to be so licensed or qualified, except where the failure to be so licensed or qualified could not reasonably be expected to have a material adverse effect on the business, properties, assets, results of operations or financial condition of SPD and its Subsidiaries, taken as a whole.

Section 2.2 Subsidiaries. Set forth on Schedule 2.2 is a complete and accurate list of all Subsidiaries of SPD. Each Subsidiary of SPD has been duly organized or formed and is validly existing under the laws of the jurisdiction of its organization or formation and has the corporate power and authority to own or lease and to operate its properties and to conduct its business as it is now being conducted. SPD has previously provided to ACQUIROR copies of the organizational documents of each Subsidiary of SPD. Such copies are true, correct and complete. Each such Subsidiary is duly licensed or qualified

and in good standing in each jurisdiction in which its ownership of property or the character of its activities is such as to require such Subsidiary to be so licensed or qualified, except where the failure to be so licensed or qualified could not reasonably be expected to have a material adverse effect on the business, properties, assets, results of operations or financial condition of SPD and its Subsidiaries, taken as a whole. Set forth on Schedule 2.2 is a list of the jurisdiction of incorporation or formation of each such Subsidiary.

Section 2.3 Capitalization of SPD

(a) The authorized capital stock of SPD consists solely of 500,000 shares of SPD Class A Common Stock, of which 99,000 shares are issued and outstanding; 500,000 shares of SPD Class B Common Stock, no shares of which are issued and outstanding; and 1,000,000 shares of Preferred Stock, of which 38,010 shares are issued and outstanding. All of the issued and outstanding shares of SPD Stock have been duly authorized and validly issued and are fully paid and nonassessable and are owned beneficially and of record by the Persons listed in Schedule 2.3, free and clear of liens.

(b) Except as set forth on Schedule 2.3, there are not any outstanding options, warrants, rights or other securities convertible into or exchangeable or exercisable for shares of SPD Stock or any other undertakings, commitments or agreements providing for the issuance of additional shares or for the sale of treasury shares, or for the repurchase or redemption of shares of any capital stock of SPD, or any agreement of any kind which may obligate any Subsidiary to issue, purchase, register for sale, redeem or otherwise acquire any of its capital stock.

Section 2.4 Capitalization of Subsidiaries of SPD. The outstanding shares of capital stock of each Subsidiary of SPD have been duly authorized and validly issued and are fully paid and nonassessable. Except as set forth on Schedule 2.4, (i) each Subsidiary of SPD is wholly-owned of record and beneficially by SPD or another wholly-owned Subsidiary of SPD and (ii) the ownership interests of SPD in each such Subsidiary are owned of record and beneficially by SPD (or another Subsidiary of SPD), free and clear of any Liens. Except as set forth on Schedule 2.4, there are no outstanding options, warrants, rights or other securities exercisable or exchangeable for any capital stock of any Subsidiary of SPD, any other undertaking of commitments or agreements providing for the issuance of additional shares, the sale of treasury shares, or for the repurchase or redemption of shares of any Subsidiary's capital stock, or any agreements of any kind which may obligate any Subsidiary to issue, purchase, register for sale, redeem or otherwise acquire any of its capital stock.

Section 2.5 Due Authorization.

SPD has all requisite corporate power and authority to execute and deliver this Agreement and (subject to the approvals discussed below) to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized and approved by the Board of Directors and the holders of SPD Class A Common Stock of SPD and no other corporate proceeding on the part of SPD or its stockholders is necessary to authorize this Agreement. This Agreement has been duly and validly executed and delivered by SPD and constitutes a legal, valid and binding obligation of SPD, enforceable against SPD in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium

and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

Section 2.6 No Conflict Except as set forth in Schedule 2.6, the execution and delivery of this Agreement by SPD and the consummation of the transactions contemplated hereby does not and will not violate any provision of, or result in the breach of, any applicable, law, statute, ordinance, rule, regulation, order, judgment or decree of any court or governmental or regulatory agency or authority applicable to SPD or any of its Subsidiaries, the Certificate of Incorporation, Bylaws or other organizational documents of SPD or any of its Subsidiaries, or any contract, note, lease, mortgage, agreement, indenture or other instrument to which SPD or any of its Subsidiaries is a party or by which SPD or any of its Subsidiaries may be bound, or constitute a default under, violate or conflict with, result in the acceleration of or give any party the right to terminate, modify or cancel, or result in the loss of any rights, privileges, options or alternative under any such contract, note, lease, mortgage, agreement, indenture or instrument, or result in the creation of any Lien upon any of the properties or assets of SPD or its Subsidiaries, or constitute an event which, after notice or lapse of time or both, would result in any such violation, breach, acceleration, termination or creation of a Lien or result in a violation or revocation (or right of acceleration, termination or modification) of any required license, permit, contract right or approval from any government or other third party, except to the extent that the occurrence of any of the foregoing could not reasonably be expected to have an adverse effect on (i) the ability of SPD to enter into and perform its obligations under this Agreement, or (ii) the business, the properties,

assets, results of operations or financial condition of SPD and its Subsidiaries, taken as a whole.

Section 2.7 Financial Statements. SPD has previously delivered to ACQUIROR the following financial statements, all of which have been prepared in accordance with GAAP (subject, in the case of the financial statements referenced in paragraph (b), to the absence of footnotes and to normal year-end adjustments not material in amount), and present fairly, in all material respects, the consolidated financial position of SPD and its consolidated Subsidiaries at the dates stated in such financial statements and the results of their operations for the periods stated therein (provided, however, that with respect to the financial statements of PTS Holdings, Inc. referred to in subsection 2.7(c), this representation is made to the knowledge of SPD only):

(a) the audited consolidated Balance Sheet of SPD and its consolidated Subsidiaries as of December 31, 1997, 1996 and 1995, and the audited consolidated Statements of Income and Cash Flows of SPD and its consolidated Subsidiaries for the years ended December 31, 1997, 1996 and 1995, together with the auditors' reports thereon;

(b) the unaudited consolidated Balance Sheet of SPD and its consolidated Subsidiaries as of May 31, 1998 and the unaudited consolidated Statements of Income and Cash Flows of SPD and its consolidated Subsidiaries for the five-month period ended May 31, 1998; and

(c) the audited consolidated Balance Sheet of PTS Holdings, Inc. and its consolidated Subsidiaries as of June 30, 1996 and July 2, 1995, and the audited consolidated Statements of Income and Cash Flows of PTS Holdings, Inc. and its

consolidated Subsidiaries for the years ended June 30, 1996 and July 2, 1995, together with the auditors' reports thereon.

Section 2.8 Contracts, No Defaults.

(a) Schedule 2.8 contains a listing of all Contracts described in clauses (i) through (xvi) below to which SPD or any of its Subsidiaries is a party (it being understood that such listing may omit documents subject to disclosure restrictions pursuant to government regulations applicable to classified documents provided that the documents so omitted have been made available to an individual within ACQUIROR's organization having the requisite clearances). To the extent permitted by government regulations applicable to classified documents, true, correct and complete copies of contracts referred to below have been delivered to or made available to ACQUIROR and its agents and representatives.

(i) Each Government Contract which involves performance of services or delivery of goods and/or materials by SPD or any of its Subsidiaries of an amount or value in excess of \$100,000;

(ii) Each note, debenture, other evidence of indebtedness, guarantee, loan, credit or financing agreement or instrument or other contract for or relating to money borrowed, including any agreement or commitment for future loans, credit or financing;

(iii) Each Contract not in the ordinary course of business involving expenditures or receipts of SPD and its Subsidiaries in excess of \$100,000;

(iv) Each lease, rental or occupancy agreement, license, installment and conditional sale agreement, and other Contract affecting the ownership of,

leasing of, title to, use of, or any leasehold or other interest in, any real or personal property and involving aggregate payments in excess of \$100,000;

(v) Each material licensing agreement with respect to Intellectual Property;

(vi) Each joint venture Contract, partnership agreement, or limited liability company agreement;

(vii) Each Contract explicitly requiring capital expenditures after the date hereof in an amount in excess of \$100,000;

(viii) each agreement with any officer, director or stockholder of SPD and its Subsidiaries, or with any affiliate or relative of any such officer, director or stockholder;

(ix) each contract of employment, consulting, agency or other similar agreement or arrangement relating to or for the benefit of employees, sales representatives, distributors, dealers, agents, independent contractors or consultants;

(x) each agreement with any labor union, or other labor organization;

(xi) each agreement which requires, individually, annual payments of more than \$100,000 or aggregate payments over the life of the contract of more than \$250,000;

(xii) each agreement which has for a remaining term of more than one year and is not cancelable as to all its provisions upon 90 days or less notice without payment of any material penalty;

(xiii) each asset purchase agreement or other acquisition or investment agreement;

(xiv) each contract or arrangement with respect to the representation of SPD and any of its Subsidiaries in foreign countries;

(xv) each agreement which restricts or limits in any manner the operation of the business of SPD and any of its Subsidiaries; and

(xvi) each other agreement which is material to the business of SPD and any of its Subsidiaries and was entered into outside of the normal course of business.

(b) Except as set forth on Schedule 2.8, all the Contracts listed pursuant to paragraph (a) of this Section 2.8 are (i) in full force and effect and (ii) represent the legal, valid and binding obligations of SPD or the Subsidiary of SPD party thereto and, to the best knowledge of SPD, represent the legal, valid and binding obligations of the other parties thereto. Except as set forth on Schedule 2.8, no condition exists or event has occurred which, with notice or lapse of time or both, would constitute a default (or an event of default that would give any other party to any such Contract the right to terminate or otherwise fail to perform its obligations) under such Contracts by SPD or any Subsidiary of SPD which is a party thereto or, to the best knowledge of SPD, any other party thereto, except where the occurrence of such event or existence of any such condition could not reasonably be expected to have a material adverse effect on the business, properties, assets, results of operations or financial condition of SPD and its Subsidiaries, taken as a whole.

(c) As of the date hereof, and prior to Closing, neither SPD nor any of its Subsidiaries (either prior to or during the time that any such corporation was a Subsidiary of SPD) has presented any claim for indemnification pursuant to the applicable provisions of the Purchase and Sale Agreement dated as of November 18, 1994 by and between Magnetek, Inc., Magnetek Tempe, Inc., Magnetek Deutschland Holding GMBH, and PTS Holdings, Inc. (the "Magnetek Agreement").

Section 2.9 Government Contracts. (a) For purposes of this Agreement, the following definitions shall apply:

"Government Contract" means any prime contract, subcontract, teaming agreement or arrangement, joint venture, basic ordering agreement, pricing agreement, letter contract, purchase order, delivery order, change order, Government bid or other arrangement of any kind between SPD and any of its Subsidiaries and (i) the U.S. Government, (ii) any prime contractor of the U.S. Government in its capacity as a prime contractor or (iii) any subcontractor with respect to any contract of a type described in clauses (i) or (ii) above.

"Government Bid" means any quotation, bid or proposal made by SPD or any of its Subsidiaries or any of affiliates primarily in connection with the business that is accepted or award would lead to a Contract with the U.S. Government of the design, manufacture and sale of products or the provision for services by business.

(b) With respect to each and every Government Contract or bid to obtain a Government Contract to which SPD or any of its Subsidiaries is a party and except as set forth in Schedule 2.9: (i) SPD and its Subsidiaries have fully complied with all material terms and conditions of such Government Contract or bid for a Government

Contract as required as of the date hereof and as of the Closing Date; (ii) SPD and its Subsidiaries have fully complied with all material requirements of statute, rule or regulation pertaining to such Government Contract or Government Bid; (iii) all representations and certifications executed with respect to such Government Contract were accurate in every material respect as of their effective date and the Company and its Subsidiaries have fully complied with all such representations and certifications in every material respect; and (iv) no termination or default, cure notice or show cause notice has been issued or, to the best knowledge of the executive officers of SPD and its Subsidiaries, will be issued.

(c) To the best knowledge of SPD, except as set forth in Schedule 2.9:

(i) none of SPD's or any of its Subsidiaries' respective employees, consultants or agents is (or during the last three years has been) under administrative, civil or criminal investigation, indictment or information by any Governmental Authority, (ii) there is not any pending audit or investigation of SPD, any of its Subsidiaries, its officers, employees or representatives nor within the last three years has there been any audit or investigation of SPD, any of its Subsidiaries, officers, employees or representatives resulting in a material adverse finding with respect to any alleged irregularity, misstatement or omission arising under or relating to any Government Contract or bid; and (iii) during the last three years, neither SPD nor any of its Subsidiaries has made a voluntary disclosure to the U.S. Government or any non-U.S. government, with respect to any alleged irregularity, misstatement or omission arising under or relating to a Government Contract or bid. Except as set forth in Schedule 2.9, to the best knowledge of SPD neither SPD nor any of its Subsidiaries has had any irregularities, misstatements or omissions arising

under or relating to any Government Contract or bid that has led or is expected to lead, either before or after the Closing Date, to any of the consequences set forth in clause (i) or (ii) of the immediately preceding sentence of any other material damage, penalty assessment, recoupment or payment or disallowance of cost.

(d) Except as set forth in Schedule 2.9, there are (i) no outstanding claims against SPD or its Subsidiaries, either by the U.S. Government or by any non-U.S. government or by any prime contractor, subcontractor, vendor or other third party, arising under or relating to the any Government Contract or bid referred to in Schedule 2.9 and (ii) no disputes between SPD and its Subsidiaries and the U.S. Government or any non-U.S. government under the Contract Disputes Act or any other Federal statute or between SPD and its Subsidiaries and any prime contractor, subcontractor or vendor arising under or relating to any such Government Contract or bid. Except as set forth in Schedule 2.9, to the best knowledge of SPD and its Subsidiaries, there are no facts that could reasonably be expected to result in a claim or a dispute under clause (i) or (ii) of the immediately preceding sentence.

(e) Except as set forth in Schedule 2.9, neither SPD nor any of its Subsidiaries nor any of their respective employees, consultants or agents is (or during the last three years has been) suspended or debarred from doing business with the U.S. Government or any non-U.S. government or is (or during such period was) the subject of a finding of non-responsibility or ineligibility for U.S. Government or non-U.S. government contracting. Except as set forth in Schedule 2.9, SPD and its Subsidiaries conducted their operations in compliance with all requirements of all material laws pertaining to all Government Contracts and bids.

(f) Except as set forth in Schedule 2.9, no statement, representation or warranty made by SPD or any of its Subsidiaries in any Government Contract, any exhibit thereto or in any certificate, statement, list, schedule or other document submitted or furnished to the U.S. Government or any non-U.S. government in connection with any Government Contract or bid (i) contained on the date so furnished or submitted any untrue statement of a material fact, or failed to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading or (ii) contains on the date hereof any untrue statement of a material fact, or fails to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, nor misleading, except in the case of both clauses (i) and (ii) any untrue statement or failure to state a material fact that would not result in any material liability to the Company or the Subsidiary as a result of such untrue statement or failure to state a material fact.

(g) Schedule 2.9 incorporates the most recent schedule delivered to the U.S. Government or any non-U.S. government which identifies by description or inventory number certain equipment and fixtures loaned, bailed or otherwise furnished to or held by SPD or its Subsidiaries by or on behalf of the United States or any foreign country. To the best knowledge of SPD, such schedule was accurate and complete on its date and, if dated as of the Closing Date, would contain only those additions and omit only those deletions of equipment and fixtures that could not reasonably be expected to have a material adverse effect on the operations of SPD and its Subsidiaries.

Section 2.10 Machinery, Equipment and Other Tangible. Except as set forth on Schedule 2.10, SPD or one of its Subsidiaries owns and has good title to all material

machinery, equipment and other tangible property reflected on the books of SPD and its Subsidiaries as owned by SPD or its Subsidiaries (the "Machinery and Equipment"), free and clear of all Liens other than Permitted Liens. The Machinery and Equipment, taken as a whole, is suitable for the purposes for which it is presently used.

Section 2.11 Intellectual Property. Schedule 2.11 lists each patent, registered trademark, service mark or trade name, registered copyright or mask work, or material patents reduced to practice and applications for any of the foregoing (together with all other intellectual property rights, "Intellectual Property") owned or held by SPD or any of its Subsidiaries and all licenses to Intellectual Property between SPD or any of its Subsidiaries and any other Person. Except as set forth on Schedule 2.11, (i) SPD or one or more of its Subsidiaries has good and exclusive title to each item of Intellectual Property owned by it, free and clear of any Lien; (ii) SPD and its Subsidiaries own or have the right to use pursuant to license, sublicense, agreement or permission all items of Intellectual Property used in the operation of the business of SPD and its Subsidiaries, as presently conducted, except where the failure to have such rights could not reasonably be expected to have a material adverse effect on the business, properties, assets, results of operations or financial condition of SPD and its Subsidiaries, taken as a whole; (iii) the Intellectual Property owned or used by SPD or any of its Subsidiaries does not infringe or otherwise impair or conflict with ("Infringe"), and is not being infringed by, the Intellectual Property of any other person; (iv) no Governmental Order or Action is pending, or to SPD's best knowledge, threatened, which would limit, cancel or question the validity of, or SPD's or any of its Subsidiaries' rights to own, hold or use any Intellectual Property, and to SPD's best knowledge, no valid basis exists for same; (v)

SPD and its Subsidiaries have taken reasonable steps to protect, maintain and safeguard their Intellectual Property, and have taken all actions, executed all agreements, made all filings and paid or properly accrued all fees and taxes in connection with the foregoing.

Section 2.12 Real Property. (a) Schedule 2.12 lists (i) all Owned Real Property, (ii) all Leased Real Property and (iii) the address of all real property now used or occupied by SPD and its Subsidiaries and the name of the record owner thereof. Except as set forth on Schedule 2.12, SPD or one of its Subsidiaries has good and marketable fee simple title to all Owned Real property, and good and valid title to all Leased Real property, subject only to any (i) Permitted Liens and (ii) Liens which, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the business, properties, assets, results of operation or financial condition of SPD and its Subsidiaries, taken as a whole.

(b) Each lease covering Leased Real property is a legal, valid and binding agreement enforceable in accordance with its terms and there is not under any of such leases any existing default on the party of SPD or any of its Subsidiaries or, to the best of knowledge of SPD, and other party thereto nor any facts that would, with the passage of time or notice, or both, constitute such a default.

(c) SPD and its Subsidiaries enjoy peaceful and quiet possession of the real property owned or leased by SPD and its Subsidiaries. ACQUIROR, its agents and representatives have been provided with a true and complete copy of each lease and all amendments thereto pertaining to any leased real property. The rental set forth in each lease is the actual rental being paid, and there are no separate agreements or understandings with respect to the same. Except as listed in Schedule 2.13, neither the

execution of this Agreement nor the consummation of the transactions contemplated hereby shall cause a default under any lease or require prior written consent of any landlord under any lease.

Section 2.13 Litigation and Proceedings. Except as set forth on Schedule 2.13, there are no lawsuits, actions, suits, claims or other proceedings at law or in equity, or to the knowledge of SPD, investigations, before or by any court or governmental authority or instrumentality or before any arbitrator pending or, to the knowledge of SPD, threatened, against SPD or any of its Subsidiaries. Except as set forth on Schedule 2.13, there is no unsatisfied judgment, order or decree against or any injunction binding upon SPD or any of its Subsidiaries.

Section 2.14 Employee Benefit Plans.

(a) Definitions. The following terms, when used in this Section 2.14, shall have the following meanings. Any of these terms may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

(i) Benefit Arrangement. "Benefit Arrangement" shall mean any employment, consulting, severance or other similar contract, arrangement or policy and each plan, arrangement (written or oral), program, agreement or commitment providing for insurance coverage (including without limitation any self-insured arrangements), workers' compensation, severance benefits, disability benefits, supplemental unemployment benefits, vacation benefits, retirement benefits, life, health, disability or accident benefits (including without limitation any "voluntary employees' beneficiary association" as defined in Section 501(c)(9) of the Code providing for the same or other benefits) or for deferred compensation, profit-sharing bonuses, stock options, stock appreciation rights, stock purchases or other forms of incentive compensation or

post-retirement insurance, compensation or benefits which (A) is not a Welfare Plan, Pension Plan or Multiemployer Plan, (B) is entered into, maintained, contributed to or required to be contributed to, as the case may be, by SPD or any ERISA Affiliate or for which SPD or any ERISA Affiliate has any liability, and (C) covers any employee or former employee of SPD or any Subsidiary (with respect to their relationship with any such entity). Schedule 2.14(a)(i) contains a true and complete list of all Benefit Arrangements.

(ii) Employee Plans. "Employee Plans" shall mean all Benefit Arrangements, Multiemployer Plans, Pension Plans and Welfare Plans.

(iii) ERISA. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(iv) ERISA Affiliate. "ERISA Affiliate" shall mean any entity which is (or at any relevant time was) a member of a "controlled group of corporations" with, under "common control" with, or a member of an "affiliated service group" with SPD as defined in Section 414(b), (c), (m) or (o) of the Code.

(v) Multiemployer Plan. "Multiemployer Plan" shall mean any "multiemployer plan," as defined in Section 4001(a)(3) of ERISA, (A) to which SPD or any ERISA Affiliate maintains, administers, contributes or is required to contribute or has any liability with respect to and (B) which covers any employee or former employee of SPD or any ERISA Affiliate (with respect to their relationship with such entities).

(vi) PBGC. "PBGC" shall mean the Pension Benefit Guaranty Corporation.

(vii) Pension Plan. "Pension Plan" shall mean any "employee pension benefit plan" as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) (A) which SPD or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to or has any liability with respect to and (B) which covers any employee or former employee of SPD or any ERISA Affiliate (with respect to their relationship with such entities).

(viii) Welfare Plan. "Welfare Plan" shall mean any "employee welfare benefit plan" as defined in Section 3(1) of ERISA, (A) which SPD or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to or has any liability with respect to, and (B) which covers any employee or former employee of SPD or any Subsidiary (with respect to their relationship with such entities).

b) Disclosure. Schedule 2.14 contains a complete list of Employee Plans.

c) Representations. Except as set forth in Schedule 2.14, SPD represents and warrants as follows:

(i) Pension Plans

(A) No "accumulated funding deficiency" (for which an excise tax is due or would be due in the absence of a waiver) as defined in Section 412 of the Code or as defined in Section 302(a)(2) of ERISA, whichever may apply, has been incurred with respect to any Pension Plan with respect to any plan year, whether or not waived. Neither SPD nor any ERISA Affiliate has failed to pay when due any "required installment", within the meaning of Section 412(m) of the Code and Section 302(e) of ERISA, whichever may apply, with respect to any Pension Plan.

(B) Neither SPD nor any ERISA Affiliate is required to provide security to a Pension Plan which covers employees or former employees of SPD or any of its Subsidiaries under Section 401(a)(29) of the Code.

(C) Each Pension Plan and each related trust agreement, annuity contract or other funding instrument which covers employees or former employees of SPD or any of its Subsidiaries (with respect to their relationship with such entities) is qualified (within the meaning of Code Section 401(a)) and has been determined by the Internal Revenue Service to be qualified and tax-exempt under the provisions of Code Sections 401(a) and 501(a), or application for such determination has been made and nothing has occurred since such determination or application that could reasonably be expected to cause the loss of such qualification.

(D) Each Pension Plan, each related trust agreement, annuity contract or other funding instrument which covers employees or former employees of SPD or any of its Subsidiaries (with respect to their relationship with such entities) ("SPD Pension Plan") is in material compliance with its terms and, both as to form and in operation, with the requirements prescribed by any and all statutes, orders, rules and regulations which are applicable to such plans, including without limitation ERISA and the Code.

(E) SPD or an ERISA Affiliate has paid all premiums (and interest charges and penalties for late payment, if applicable) due the PBGC with respect to each Pension Plan for each plan year thereof for which such premiums are required. Neither SPD nor any ERISA Affiliate has engaged in, or is a successor or parent corporation to an entity that has engaged in, a transaction which is described in

Section 4069 of ERISA. There has been no "reportable event" (as defined in Section 4043(b) of ERISA and the PBGC regulations under such Section) requiring notice to the PBGC with respect to any Pension Plan. Neither SPD nor any ERISA Affiliate has, at any time, (1) become subject to the provisions of Section 4062 of ERISA or terminated any Pension Plan other than pursuant to ERISA Section 4041(b), (2) withdrawn as a substantial employer so as to become subject to the provisions of Section 4063 of ERISA, or (3) ceased making contributions on or before the Closing Date to any Pension Plan subject to Section 4064(a) of ERISA to which SPD or any ERISA Affiliate made contributions during the six years prior to the Closing Date.

(ii) Multiemployer Plans. There are no Multiemployer Plans.

(iii) Welfare Plans. Each Welfare Plan is in material compliance with its terms and, both as to form and operation, with the requirements prescribed by any and all statutes, orders, rules and regulations which are applicable to such Welfare Plan, including without limitation ERISA and the Code.

(iv) Benefit Arrangements. Each Benefit Arrangement is in material compliance with its terms and with the requirements prescribed by any and all statutes, orders, rules and regulations which are applicable to such Benefit Arrangement.

(v) Fiduciary Duties and Prohibited Transactions. Neither SPD nor any of its Subsidiaries has any liability with respect to any transaction in violation of Sections 404 or 406 of ERISA or any "prohibited transaction," as defined in Section 4975(c)(1) of the Code, for which no exemption exists under Section 408 of ERISA or Section 4975(c)(2) or (d) of the Code to which any Welfare Plan or SPD Pension Plan is subject. Neither SPD nor any of its Subsidiaries has participated in a violation of Part 4 of

Title 1, Subtitle B of ERISA by any plan fiduciary of any Welfare Plan or Pension Plan and has no unpaid civil penalty under Section 502(l) of ERISA.

Section 2.15 Labor Relations. Except as set forth on Schedule 2.15, neither SPD nor any of its Subsidiaries is a party to any collective bargaining agreements. The Contracts listed on Schedule 2.15 include all written employment or severance agreements to which either SPD or any of its Subsidiaries is a party with respect to any employee or former employee whose compensation or benefits during the fiscal year ended December 31, 1997 exceeded \$100,000 and which may not be terminated at will, or by giving notice of 30 days or less, without cost or penalty. SPD has delivered or made available to ACQUIROR true, correct and complete copies of each such Contract, as amended to date.

Section 2.16 Legal Compliance. Except with respect to (i) matters set forth on Schedule 2.16, (ii) compliance with Environmental Laws (as to which certain representations and warranties are made pursuant to Section 2.17) and (iii) compliance with laws applicable to Government Contracts (as to which certain representations and warranties are made pursuant to Section 2.9) each of SPD and its Subsidiaries is in compliance in all material respects with all laws, statutes, ordinances, rules, regulations, orders, judgments or decrees applicable to it and its business and neither SPD nor any of its Subsidiaries has received any notice that any violation or potential violation or any action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand or notice has been filed or SPD or any of its Subsidiaries alleging failure to comply.

Section 2.17 Environmental. Except as set forth on Schedule 2.17, to the best knowledge of SPD, (i) SPD and its Subsidiaries are in substantial compliance with all

Environmental Laws, except where any such instance of non-compliance could not reasonably be expected to have a material adverse effect on the business, operation or financial condition of SPD and its Subsidiaries, taken as a whole, and (ii) neither SPD nor any of its Subsidiaries has any liability under any Environmental Law which is material to the properties, assets, results of operations or financial condition of SPD and its Subsidiaries, taken as a whole. Except as set forth on Schedule 2.17, (i) no notices of any violation or alleged violation of, or any liability under, any Environmental Law relating to the operations or properties of SPD or its Subsidiaries have been received by SPD or any of its Subsidiaries, except where any such instance of noncompliance could not reasonably be expected to have a materially adverse effect on the business, properties, assets, results of operations or financial condition of SPD and its Subsidiaries, taken as a whole, and (ii) there are no writs, injunctions, decrees, orders or judgments outstanding, or any actions, suits, claims, proceedings or investigations pending or, to the knowledge of SPD, threatened, relating to compliance with or liability under any Environmental Law, except where any such instance of non-compliance could not reasonably be expected to have a materially adverse effect on the business, properties, assets, results of operations or financial condition of SPD and its Subsidiaries, taken as a whole.

Section 2.18 Taxes. Except as otherwise disclosed in Schedule 2.18:

(a) All federal, state, local and foreign tax returns including any declaration, report or similar statement required to be filed with respect to any taxes (including any attached schedules), including, without limitation, any information return, claim or refund, amended return and declaration of estimated tax, of SPD and its Subsidiaries ("Tax Returns"), including those Tax Returns relating to United States federal, state, local

or foreign income, profits, estimated, gross receipts, windfall profits, severance, intangible, occupation, production, license, emergency excise, capital gains, capital stock, withholding, transfer, stamp, payroll, goods and services, value added, alternative or addition minimum tax, employment, franchise, property, sales and use, and excise taxes, and any other taxes, custom, duty or governmental fee, or other like assessment or charge of any kind whatsoever, together with any interest, penalties, fines, related liabilities or additions to tax that may become payable in respect thereof imposed by any governmental or regulatory authority due from and/or withheld by or required to be withheld by SPD and its Subsidiaries (collectively, "Taxes") have been duly and timely filed and are correct and complete in all material respects, except for those returns for which the time for filing thereof has been validly extended.

(b) All Taxes or estimates thereof that are due have been timely and appropriately paid, except for amounts being contested in good faith by appropriate proceedings and for which an adequate reserve (other than a reserve for deferred taxes reflecting the difference between the tax and book basis in assets and liabilities) has been established on SPD's financial statements. With respect to any period or portion thereof ending on or before the date of the balance sheet referred to in Section 2.7(b) for which Tax Returns have not yet been filed, or for which Taxes have accrued but are not yet due or owing, SPD has made due and sufficient reserves (other than reserves for deferred taxes reflecting the difference between the tax and book basis in assets and liabilities) for such Taxes on the balance sheet referred to in Section 2.7(b). SPD and its Subsidiaries have collected all material sales and use Taxes and withholding Taxes required to be collected, and have remitted, or will remit on a timely basis, such amounts to the

appropriate governmental authorities, or have been furnished properly completed exemption certificates and have maintained all such records and supporting documents in the manner required by all applicable sales and use Tax and payroll withholding statutes and regulations for all periods for which the statute of limitations has not expired.

(c) None of the Tax Returns for any taxable period the statute of limitations on which has not yet expired has been audited or is being audited by any taxing authority.

(d) No assessment, audit or other proceeding by any taxing authority, court or other governmental or regulatory authority is proposed, pending, or, to the knowledge of SPD, threatened with respect to the Taxes or Tax Returns of SPD or its Subsidiaries.

(e) There are no outstanding agreements, waivers or arrangements extending the statutory period of limitations applicable to any claim for or the period for the collection or assessment of Taxes due for any taxable period. There is no contract or agreement, plan or arrangement by SPD or any of its Subsidiaries covering any person that, individually or collectively, could give rise to the payment of any amount that would not be deductible by SPD by reason of section 280G of the Code. Neither SPD nor its Subsidiaries have been a United States real property holding corporation within the meaning of section 897 (c)(2) of the Code during the applicable period specified in Section 897 (c)(1) (A) (ii) of the Code.

(f) Neither SPD nor its Subsidiaries (i) has been a member of an affiliated group filing a consolidated federal income Tax Return (other than the current group of which SPD is the common parent) or (ii) has liability for the Taxes of any

person under Treasury Regulation section 1.1502-6(a) (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

(g) There are no Liens with respect to Taxes upon any of the assets or properties of SPD or its Subsidiaries, other than with respect to Taxes not yet due and payable.

(h) As of the Closing, neither SPD nor its Subsidiaries shall be a party to, be bound by or have any obligation under, any Tax sharing agreement or similar contract or arrangement or any agreement that obligates it to make any payment computed by reference to the Taxes, taxable income or taxable losses of any other person.

Section 2.19 Governmental Authorities: Consents. Assuming the truth and completeness of the representations and warranties of ACQUIROR contained in this Agreement, no consent, approval or authorization of, or designation, declaration or filing with, any Governmental Authority or other third party is required on the part of SPD with respect to SPD's execution or delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) applicable requirements of the HSR Act or any similar foreign law, (ii) any filings required under the DOD National Industrial Security Program Manual for Safeguarding Classified Information, (iii) any filings required under U.S. Export Control Laws, (iv) the consents listed on Schedule 2.19.

Section 2.20 Licenses, Permits and Authorizations. SPD possesses all of the licenses, approvals, consents, franchises and permits necessary to permit SPD and its Subsidiaries to own, operate, use and maintain their assets in the manner in which they are now operated and maintained and to conduct the business of SPD and its Subsidiaries as currently conducted, except where the absence of any such license, approval, consent,

franchise or permit could not reasonably be expected to have a materially adverse effect on the business, properties, assets, results of operations or financial condition of SPD and its Subsidiaries, taken as a whole. All such licenses, franchises and other permits are in full force and effect and there are no proceedings pending or, to the best knowledge of SPD, threatened that seek the revocation, cancellation, suspension or adverse modification thereof. Within ten days of the date hereof, SPD will supply ACQUIROR with a list of all material licenses, franchises and other permits of or with any Governmental Authority, whether foreign, federal, state or local, which are held by SPD or any of its Subsidiaries.

Section 2.21 Insurance. Schedule 2.21 contains a summary description of all policies of property, fire and casualty, product liability, workers' compensation, and other forms of insurance held by SPD or any of its Subsidiaries. True, correct and complete copies of such insurance policies have been made available to ACQUIROR. Such policies are in full force and effect and all premium due thereon have been paid or accrued. No notice of cancellation, termination or reduction of coverage, and no notice of intention to cancel, terminate or reduce coverage, has been received by SPD or any of its Subsidiaries.

Section 2.22 Brokers' Fees. Except for the fees payable to the entities described on Schedule 2.22 (which fees shall be paid as a Holder Allocable Expense), no broker, finder, investment banker or other Person is entitled to any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement based upon arrangements made by SPD or any of its Subsidiaries or Affiliates.

Section 2.23 Inventory. All inventory of SPD and its Subsidiaries consists of a quality and quantity consistent with good business practices net of any reserves reflected in (i) the case of inventory on the date hereof, the balance sheet referred to in Section 2.7(b) or (ii) the Closing Balance Sheet in the case of inventory on the Closing Date and are salable in the ordinary course consistent with past practice.

Section 2.24 Accounts Receivable. The accounts receivable of SPD and its Subsidiaries reflected in the balance sheet referred to in Section 2.7(b) represent bona fide sales actually made in the ordinary course of business, and have been properly accrued in accordance with GAAP, net of any reserves reflected in the balance sheet referred to in Section 2.7(b). To the best knowledge of SPD, there are no facts or circumstances (other than general economic conditions) which would result in any material increase in the uncollectibility of the accounts receivable as a class in excess of the reserves therefor set forth in the Closing Balance Sheet.

Section 2.25 Absence of Changes. Except as set forth on Schedule 2.25:

Since December 31, 1997, there has not been (a) any material adverse change (or any event specifically relating to SPD that could reasonably be expected to result in such a change) in the business, financial condition or results of operations of SPD or its Subsidiaries, or any change that could materially delay or impair the ability of SPD to effect the Closing or materially and adversely affect the operation of the business of SPD after the Closing Date; (b) any damage, destruction or loss (whether or not covered by insurance) individually or in the aggregate in excess of \$100,000; (c) any labor, dispute or any labor union organizing activity, or any actual or threatened strike, work stoppage, slowdown or lockout, or any material change in its relationship with employees,

customers, distributors or suppliers; (d) any sale, lease, transfer or other disposition of any asset of SPD or its Subsidiaries having a fair material value in excess of \$100,000 or for proceeds in excess of \$100,000, or (e) any discharge or satisfaction of any obligation or liability of SPD or its Subsidiaries other than in the ordinary course of business in accordance with the terms of such obligation or liability.

Except as set forth on Schedule 2.25: Since December 31, 1997, neither SPD or any of its Subsidiaries has engaged in any of the following transactions: (i) issued or committed to issue any shares of common stock (except upon exercise of duly issued stock options which were outstanding as of such date) or ownership interest of SPD or any of its Subsidiaries, or any obligations, understanding or commitment regarding the issuance of capital stock or any option, right, warrant or other security exercisable or exchange for or convertible into capital stock of SPD or any of its Subsidiaries, (ii) redeemed, purchased or otherwise acquired or committed to acquire or committed to acquire any shares or other ownership interest of SPD or any of its Subsidiaries, (iii) effected a split or reclassification of any shares of SPD or any of its Subsidiaries or a recapitalization of SPD or any of its Subsidiaries, (iv) made any change in the compensation of, or increased benefits available to, any officer, other employee, sales agent or representative of SPD or any of its Subsidiaries under any bonus or pension plan or other contract or commitment, or paid or agreed or promised to pay, whether conditionally or otherwise, any bonus, incentive, retention or compensation, or increased or agreed or promised to increase any retirement, welfare, fringe or severance benefits or vacation pay, to or in respect of any officer, other employee, sales agent or representative of SPD or any of its Subsidiaries, other than, with respect to any employee other than

officers, in the ordinary course of business and consistent with past practice, (v) incurred, assumed or guaranteed any obligation or liability whether absolute, accrued, contingent or otherwise, or any indebtedness for borrowed money, except current liabilities for trade or business obligations incurred in connection with the purchase of goods or services in the ordinary course of the business consistent with past practice, (vi) mortgaged, pledged or subjected to any Lien any property or assets, tangible or intangible of SPD or any of its Subsidiaries, (vii) transferred or granted any rights under, or entered into any settlement regarding the breach or infringement of, any Intellectual Property, or modified any existing rights with respect thereto, (viii) received any notice of termination or of default or breach of any material contract, lease or other agreement, (ix) made any capital expenditures, or commitments to make any capital expenditure in excess of \$250,000 in the aggregate, (x) entered into any transaction, contract or commitment with any affiliate of SPD or (xi) entered into any transaction, contract or commitment other than in the ordinary course of business.

Section 2.26 Undisclosed Liabilities. SPD and its Subsidiaries have no debts, claims, liabilities or obligations (whether absolute, contingent or otherwise) which are material to the business of SPD and its Subsidiaries which would be required to be disclosed in a balance sheet or in a footnote to a financial statement prepared under GAAP except for (a) those reflected, reserved against or otherwise disclosed in the balance sheet referred to in Section 2.7(b) or the notes thereto and not heretofore paid or discharged or (b) those incurred in the ordinary course of business of SPD and its Subsidiaries since the date of the balance sheet referred to in Section 2.7(b) to the extent reflected in the Closing Date Balance Sheet.

Section 2.27 Customers and Suppliers. Schedule 2.27 lists the ten largest customers of SPD and its Subsidiaries and the ten largest suppliers for the most recent fiscal year. To the best knowledge of SPD and its Subsidiaries, since January 1, 1998, there has been no material adverse change in the business relationship of the Company with any customer or supplier named on Schedule 2.27.

Section 2.28 Affiliate Transactions. Except set forth in Schedule 2.28, there are no agreements, arrangements, undertakings or other transactions between SPD or any of its Subsidiaries with any of their Affiliates.

Section 2.29 Full Disclosure. No representation or warranty of SPD in this Agreement, nor any statement or certificate furnished or to be furnished to ACQUIROR pursuant to this Agreement, or in connection herewith, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not false or misleading.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF ACQUIROR AND MERGER SUB

ACQUIROR and Merger Sub represent and warrant to SPD as of the date of this Agreement as follows:

Section 3.1 Corporate Organization. Each of ACQUIROR and Merger Sub has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware, and has the power and authority to own or lease its properties and to conduct its business as it is now being conducted. The copies of the

Certificate of Incorporation of each of ACQUIROR and Merger Sub, certified by the Secretary of State of Delaware, and their Bylaws, previously delivered by ACQUIROR to SPD, are true, correct and complete. Each of ACQUIROR and Merger Sub is duly licensed or qualified and in good standing as a foreign corporation in all jurisdictions in which its ownership of property or the character of its activities is such as to require it to be so licensed or qualified, except where failure to be so licensed or qualified could not reasonably be expected to have a material adverse effect on the ability of ACQUIROR or Merger Sub to enter into this Agreement or consummate the transactions contemplated hereby.

Section 3.2 Due Authorization. Each of ACQUIROR and Merger Sub has all requisite power and authority to execute and deliver this Agreement and to perform all obligations to be performed by it thereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized and approved by the Board of Directors of ACQUIROR and Merger Sub and approved by the stockholder of Merger Sub, and no other proceeding on the part of ACQUIROR or Merger Sub is necessary to authorize this Agreement. This Agreement has been duly and validly executed and delivered by each of ACQUIROR and Merger Sub and this Agreement constitutes a valid and binding obligation of ACQUIROR and Merger Sub, enforceable against ACQUIROR and Merger Sub in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

Section 3.3 No Conflict. Except as set forth in Schedule 3.3, the execution and delivery of this Agreement by ACQUIROR and Merger Sub and the consummation of the transactions contemplated hereby does not and will not violate any provision of, or result in the breach of any applicable law, rule or regulation of any governmental body, the Certificate of Incorporation, Bylaws, as amended, or other organizational documents of ACQUIROR and Merger Sub, or any agreement, indenture or other instrument to which ACQUIROR or Merger Sub is a party or by which ACQUIROR or Merger Sub may be bound, or of any order, judgment or decree applicable to ACQUIROR or Merger Sub, or terminate or result in the termination of any such agreement, indenture or instrument, or result in the creation of any Lien upon any of the properties or assets of ACQUIROR or Merger Sub or constitute an event which, after notice or lapse of time or both, would result in any such violation, breach, acceleration, termination or creation of a Lien, except to the extent that the occurrence of the foregoing could not reasonably be expected to have a material adverse effect on the ability of ACQUIROR and Merger Sub to enter into and perform their obligations under this Agreement.

Section 3.4 Litigation and Proceedings. There are no lawsuits, actions, suits, claims or other proceedings at law or in equity, or, to the knowledge of ACQUIROR, investigations, before or by any court or governmental authority or instrumentality or before any arbitrator pending or, to the knowledge of ACQUIROR, threatened, against ACQUIROR or Merger Sub which, if determined adversely, could reasonably be expected to have a materially adverse effect on the ability of ACQUIROR or Merger Sub to enter into and perform its obligations under this Agreement. There is no unsatisfied judgment or any open injunction binding upon ACQUIROR or Merger Sub, which could

reasonably be expected to have a materially adverse effect on the ability of ACQUIROR or Merger Sub to enter into and perform its obligations under this Agreement.

Section 3.5 Governmental Authorities; Consents. Assuming the truth and completeness of the representations and warranties of SPD contained in this Agreement, no consent, approval or authorization of, or designation, declaration or filing with, any governmental authority or other third party is required on the part of ACQUIROR or Merger Sub with respect to ACQUIROR or Merger Sub's execution or delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) applicable requirements of the HSR Act or any similar foreign law, (ii) any filings required under the DOD Industrial Security Manual for Safeguarding Classified Information, (iii) any filings required under U.S. Export Control Laws, and (iv) as otherwise disclosed in Schedule 3.5.

Section 3.6 Financial Ability. ACQUIROR and Merger Sub have the financial resources necessary to consummate the transactions contemplated by this Agreement, including, without limitation, the ability to pay the Merger Consideration at Closing.

Section 3.7 Brokers' Fees. No broker, finder, investment banker or other Person is entitled to any brokerage fee, finders' fee or other commission in connection with the transactions contemplated by this Agreement based upon arrangements made by ACQUIROR or any of its Affiliates.

Section 3.8 [Liquidation]. ACQUIROR represents that at this point in time it has no immediate intention of liquidating SPD following the Closing Date.]

ARTICLE IV
COVENANTS OF SPD

Section 4.1 Conduct of Business. From the date hereof through the Closing, SPD and each of its Subsidiaries shall, except as contemplated by this Agreement, or as consented to by ACQUIROR in writing, operate its business in the ordinary course and substantially in accordance with past practice and will use its reasonable best efforts (i) not to take any action inconsistent with this Agreement, (ii) to keep available the services of the present officers and employees of SPD and its Subsidiaries, and (iii) to preserve the present relationship of SPD and its Subsidiaries with all entities or persons having significant business dealings with either of them. Without limiting the generality of the foregoing, unless consented to by ACQUIROR in writing, SPD shall not, and SPD shall cause each of its Subsidiaries not to, except as specifically contemplated by this Agreement:

(a) change or amend the Certificate of Incorporation, Bylaws or other organizational documents of SPD or any of its Subsidiaries.

(b) enter into, extend, materially modify, terminate or renew any Contract of a type required to be listed on Schedule 2.8 or Schedule 2.15, except that SPD and its Subsidiaries may enter into any contract, agreement or commitment in the ordinary course of business that could not result in a loss in excess of \$100,000 and would not involve aggregate consideration in excess of \$2.5 million.

(c) sell, assign, transfer, convey, lease or otherwise dispose of any material assets or properties except inventory sales in the ordinary course of business;

(d) (i) except as otherwise required by law take any action with respect to the grant of any severance or termination pay (otherwise than pursuant to policies or agreements of SPD or its Subsidiaries in effect on the date hereof and disclosed to ACQUIROR) which will become due and payable on or after the Closing Date; (ii) make any change in the key management structure of SPD or any of its Subsidiaries, including, without limitation, the hiring of additional officers or the terminations of existing officers, other than in the ordinary course of business; (iii) except in the ordinary course of business, adopt, enter into or amend any Employee Plan; or (iv) increase the compensation or fringe benefits of any present or former director, officer or employee of SPD or any of its Subsidiaries except for the payment of increases in salary or wages of employees (other than officers) in the ordinary course of business consistent with past practice), and except for the payment of certain bonuses to the management of SPD's Power Paragon divisions in an amount not to exceed \$500,000, which amount will be accrued on the Closing Date Balance Sheet if not paid prior to the Closing;

(e) acquire by merger or consolidation with, or merge or consolidate with, or purchase substantially all of the assets of, or otherwise acquire any material assets or business of any corporation, partnership, association or other business organization or division thereof;

(f) make any loans or advances to any partnership, firm or corporation, or, except for advances to employees of expenses incurred in the ordinary course of business, any individual;

(g) make or change any tax election, change any method of accounting with respect to Taxes, file any amended Tax Return, or settle or compromise any federal, state, local or foreign Tax liability.

(h) enter into any agreement, or otherwise become obligated, to do any action prohibited hereunder.

(i) incur or increase any indebtedness for borrowed money or guarantee the debt of any other person (other than any incurrence or increase in the ordinary course of business and then only if the amount of such incurrence or increase (to the extent not repaid prior to the Closing Date) is reflected on the Closing Balance Sheet; or

(j) make any capital expenditure, or commit to make any capital expenditure, in excess of \$100,000 in the aggregate.

Section 4.2 Inspection Subject to confidentiality obligations and similar restrictions that may be applicable to information furnished to SPD by third-parties that may be in SPD's possession from time to time (including restrictions on the disclosure of government-classified information), SPD shall, and shall cause its Subsidiaries to, afford to ACQUIROR and its accountants, counsel and other representatives reasonable access, during normal business hours to all of their respective properties, books, contracts, commitments, tax returns, records and appropriate officers and employees of SPD and its Subsidiaries, and shall furnish such representatives with all financial and operating data and other information concerning the affairs of SPD and its Subsidiaries as they may reasonably request. SPD shall, and shall cause its Subsidiaries to, afford to ACQUIROR and its environmental consultants, counsel and other representatives reasonable access, during normal business hours and, if reasonably necessary week-ends, to all real

property and equipment owned, operated or leased by SPD, and to appropriate employees of SPD and its subsidiaries and shall furnish ACQUIROR's representatives with adequate water and power, as well as any environmental or operating data reasonably necessary to complete an environmental or operating audit and site assessment of each site.

Section 4.3 HSR Act; Foreign Antitrust Approvals.

(a) In connection with the transactions contemplated by this Agreement, SPD (and, to the extent required, its Affiliates) shall (i) comply with the notification and reporting requirements of the HSR Act within six business days of the execution of this Agreement and use its reasonable best efforts to obtain early termination of the waiting period under the HSR Act (provided that SPD shall not be permitted to dispose or discontinue or modify or agree to discontinue or modify any assets or operations without ACQUIROR's consent), and (ii) make such other filings with any foreign Governmental Authorities as may be required under any applicable foreign law. SPD shall substantially comply with any additional requests for information, including requests for production of documents and production of witnesses for interviews or depositions, by any Antitrust Authority.

(b) SPD shall exercise all reasonable efforts to prevent the entry in any Action brought by an Antitrust Authority or any other Person of any Governmental Order which would prohibit, make unlawful or delay the consummation of the transactions contemplated by this Agreement on or before September 15, 1998.

Section 4.4 No Solicitations. From the date hereof through the Closing, neither SPD nor any of its Subsidiaries shall, and SPD shall not knowingly permit its Affiliates,

officers, directors, employees, representatives and agents to, directly or indirectly, encourage, solicit, participate in or initiate discussions or negotiations with, or provide any information to, any Person or group of Persons (other than ACQUIROR, Merger Sub or any of their respective Affiliates) concerning any merger, sale of assets, sale of shares of capital stock or similar transactions involving SPD or any Subsidiary or division of SPD.

Section 4.5 Research and Experimental Expenses. Holder Representative will use its reasonable best efforts to cause to be furnished to ACQUIROR as soon as reasonably practicable, but in no event more than 120 days after Closing, all information reasonably requested relating to the base period research expenses and any other information to allow ACQUIROR to claim research and experimental credits in accordance with the relevant sections of the Code and Treasury regulations promulgated thereunder.

ARTICLE V

COVENANTS OF ACQUIROR

Section 5.1 HSR Act; Foreign Antitrust Approvals.

(a) In connection with the transactions contemplated by this Agreement, ACQUIROR (and, to the extent required, its Affiliates) shall (i) comply with the notification and reporting requirements of the HSR Act within six business days of the execution of this Agreement and use its reasonable best efforts to obtain early termination of the waiting period under the HSR Act, and (ii) make such other filings with any foreign Governmental Authorities as may be required under any applicable foreign law. ACQUIROR shall substantially comply with any additional requests for information.

including requests for production of documents and production of witnesses for interviews or depositions, by any Antitrust Authorities.

(b) ACQUIROR shall exercise all reasonable efforts to prevent the entry in any Action brought by an Antitrust Authority or any other Person of any Governmental Order which would prohibit, make unlawful or delay the consummation of the transactions contemplated by this Agreement on or before September 15, 1998.

Section 5.2 Indemnification and Insurance.

(a) From and after the Effective Time of the Merger, ACQUIROR agrees that it will cause the Surviving Corporation to continue to indemnify and hold harmless each present and former director and officer of SPD or any of its Subsidiaries against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to matters existing or occurring at or prior to the Effective Time of the Merger, whether asserted or claimed prior to, at or after the Effective Time of the Merger, to the fullest extent that SPD or its Subsidiaries, as the case may be, would have been permitted under Delaware law and its charter or by-laws in effect on the date hereof to indemnify such person (including the advancing of expenses as incurred to the fullest extent permitted under applicable law), provided the person to whom such expenses are advanced provides an undertaking to the Surviving Corporation to repay such advances if it is ultimately determined that such person is not entitled to indemnification; provided further, that any determination required to be made with respect to whether an officer's or director's conduct complies with the standards set forth

under Delaware law and the charter and by-laws of SPD or its applicable Subsidiary shall be made by independent counsel selected by the Surviving Corporation.

(b) For five (5) years from the Effective Time of the Merger, ACQUIROR shall use its reasonable best efforts to maintain in effect directors' and officers' liability insurance covering those Persons who are currently covered by SPD's directors' and officers' liability insurance policy (a true, correct and complete copy of which has been heretofore delivered to ACQUIROR) on terms not materially less favorable than the terms of such current insurance coverage; provided, however, that if any claim is asserted or made within such five-year period, such insurance will be continued in respect of such claim until the final disposition thereof, and provided, further, that ACQUIROR shall not be required to pay premiums in excess of two times the current premium paid by SPD for such coverage.

ARTICLE VI

JOINT COVENANTS

Section 6.1 Confidentiality.

(a) Use of Evaluation Materials. Except for any governmental filings required in order to complete the transactions contemplated herein, and, except as ACQUIROR and SPD may agree or consent in writing, each party hereto shall keep the Evaluation Materials confidential and, no party shall, except as required by applicable law or legal process disclose any Evaluation Materials or any information contained therein to any Person; provided, however, that any such information may be disclosed to those of such party's directors, officers, employees, agents and representatives and financing sources who need to know such information for the purposes of evaluating the

transactions contemplated hereby (it being understood that such directors, officers, employees, agents and representatives shall be informed by such party of the confidential nature of such information and shall be directed by such party, and shall each agree to treat such information confidentially in accordance with this Section 6. 1 (a)). Without limiting the generality of the foregoing, in the event that the transactions contemplated hereby are not consummated, neither party hereto nor its directors, officers, employees, agents or representatives shall use any of the Evaluation Materials furnished to it by another party hereto for any purpose.

(b) Compelled Disclosure. In the event that any party hereto or any of its representatives receives a request or is required (by applicable law, regulation or legal process) to disclose all or any part of the information contained in the Evaluation Materials, such party or its representatives, as the case may be, shall (i) promptly notify the disclosing party of the existence, terms and circumstances surrounding such a request, (ii) consult with the disclosing party on the advisability of taking legally available steps to resist or narrow such request and (iii) assist the disclosing party in seeking a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained or that the disclosing party waives compliance with the provisions hereof, (i) such party or its representatives, as the case may be, may disclose only that portion of the Evaluation Materials which such party is advised by opinion of legal counsel is legally required to be disclosed and shall exercise reasonable efforts to assist the disclosing party in obtaining assurance that confidential treatment will be accorded such and (ii) such party shall not be liable for such disclosure unless disclosure to any such

tribunal was caused by or resulted from a previous disclosure by such party or its representatives not permitted by this Section 6.1.

Section 6.2 Support of Transaction. ACQUIROR and SPD, and their respective Subsidiaries shall each (i) use its reasonable best efforts to assemble, prepare and file any information (and, as needed, to supplement such information) as may be reasonably necessary to obtain as promptly as practicable all governmental and regulatory consents required to be obtained in connection with the transactions contemplated hereby, (ii) use its reasonable best efforts to obtain all material consents and approvals of third parties that any of ACQUIROR and SPD, or their respective Affiliates are required to obtain in order to consummate the Merger and, (iii) take such other action as may reasonably be necessary or as another party may reasonably request to satisfy the conditions of Article VIII or otherwise to comply with this Agreement. Without limiting the foregoing, each party agrees to cooperate with the others to accomplish (i) the payoff of all Funded Debt of SPD as of the Closing Date and the release of all Liens securing the same, and (ii) to structure the transfer of SPD's German Subsidiaries in such manner as may be mutually agreed upon as being most advantageous to the parties from a legal, tax and business perspective.

Section 6.3 Update Information. Not less than 5 days before the date scheduled for Closing, SPD and ACQUIROR shall correct and supplement in writing any information furnished on Schedules that, to the knowledge of SPD or ACQUIROR, respectively, is incorrect or incomplete, and shall promptly furnish such corrected and supplemented information to the other, so that such information shall be correct and complete at the time such updated information is so provided. Thereafter, prior to the

Closing, SPD and ACQUIROR shall each notify the other in writing of any changes or supplements to the updated information needed, to the knowledge of SPD or ACQUIROR, respectively, to make such information correct and complete as of the Closing.

Section 6.4 SEC Financial Reporting. SPD and its Subsidiaries and Grant Thornton shall each use its reasonable best efforts to prepare or aid the Acquiror to prepare on a timely basis the historical financial statements for SPD and its consolidated subsidiaries for (i) the fiscal years ending December 31, 1997, 1996, and 1995, and (ii) any interim periods after December 31, 1997 but before the Closing Date as required, in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"), for purposes of SEC filings which must be undertaken by the Acquiror in connection with the consummation of transactions contemplated herein.

Section 6.5 Further Assurances. Each party hereto agrees that it will, from time to time after the date of this Agreement, execute and deliver such other certificates, documents and instruments and take such other action as may be reasonably requested by the other party to carry out the actions and transactions contemplated by this Agreement.

Section 6.6 Execution of Escrow Agreements. Each of ACQUIROR and SPD agrees that, upon satisfaction (or waiver) of the conditions to its obligations hereunder, it will, at or prior to Closing, execute the Indemnification and Adjustment Escrow Agreements.

Section 6.7 Transaction Costs. SPD agrees that as of the Closing Date it will not have any outstanding payment obligations for services rendered in connection with the

transactions contemplated under this Agreement, except as may be accrued on the Closing Date Balance Sheet.

Section 6.8 Closing of Tax Year on Closing Date. (a) The parties shall, to the extent permitted by applicable law, elect with each relevant taxing authority to close the taxable period of SPD and its Subsidiaries at the end of the business day on the Closing Date. In any case where applicable law does not permit SPD and its Subsidiaries to close their taxable year on the Closing Date, then Taxes attributable to the current taxable period of SPD and its Subsidiaries beginning before and ending after the Closing Date (including any Taxes resulting from a Tax audit or administrative or court proceeding) shall be apportioned between (a) the period beginning on the first day of the current tax year of SPD and its Subsidiaries and ending on the Closing Date and (b) the period beginning on the day after the Closing Date and ending on December 31, 1998 by means of a closing of the books and records of SPD and its Subsidiaries as of the close of the Closing Date and, to the extent not susceptible to such allocation, by apportionment on the basis of elapsed days unless such Tax is transaction based (such as sales, transfer and other similar Taxes) in which case such Tax shall be apportioned to the period in which the related transaction occurred/occurs.

(b) The ACQUIROR, SPD and the Holder Representative agree to allocate and otherwise treat, for Tax purposes, the purchase back and cancellation of the Options pursuant to Section 1.1(d) of this Agreement as occurring immediately prior to the Effective Time of the Merger and as allocable to the portion of the day prior to the Acquiror's acquisition of SPD stock. The parties agree to act in accordance with such allocation in any relevant Tax Returns or filings.

(c) ACQUIROR agrees that neither it nor any of its Affiliates shall make an election under Section 338 of the Code with respect to the Merger if such election could have an adverse Tax impact on the holders of SPD Shares and Options.

Section 6.9 Review of Certain Agreements. Promptly and in any event within three business days of the date of the Original Agreement, SPD shall provide to ACQUIROR true and correct copies of the contracts and agreements set forth in Schedule 2.8 to the extent not previously provided to ACQUIROR. ACQUIROR shall have a period of two business days following the date of receipt of such contracts and agreements for a review thereof. If, upon such review, ACQUIROR determines in its reasonable good faith judgment that the consolidated business of SPD and its Subsidiaries is, in view of the terms of such contracts and agreements, materially and adversely different than such business would be in the absence of such contracts and agreements, ACQUIROR shall have the right to terminate this Agreement pursuant to Section 9.1(b)(vi) prior to the expiration of the second business day of the review period referred to above.

ARTICLE VII

CLOSING

Section 7.1 Filing. As soon as all of the conditions set forth in Article VIII of this Agreement have either been fulfilled or waived, and if this Agreement has not theretofore been terminated pursuant to its terms, the Boards of Directors of ACQUIROR, Merger Sub and SPD shall direct their officers forthwith to file and record all relevant documents with the appropriate government officials to effectuate the Merger.

Section 7.2 Closing. The Closing shall take place at a location and time mutually agreed upon by ACQUIROR and SPD on August 13, 1998 or such other date upon which the parties may agree (if on such date the conditions set forth in Section 8.1 have been satisfied or waived), and in any event within five (5) Business Days of the date on which all conditions set forth in Section 8.1, Sections 8.2(a) and (c) and Section 8.3(a) shall have been satisfied or waived. The term "Closing," when used in this Agreement, means the Effective Time of the Merger.

ARTICLE VIII

CONDITIONS TO OBLIGATIONS

Section 8.1 Conditions to Obligations of ACQUIROR, Merger Sub and SPD. The obligations of ACQUIROR, Merger Sub and SPD to consummate, or cause to be consummated, the Merger are subject to the satisfaction of the following conditions:

- (a) All waiting periods under the HSR Act applicable to the Merger shall have expired or been terminated.
- (b) All necessary permits, approvals, clearances, filings and consents of Governmental Authorities required to be procured by ACQUIROR, Merger Sub and SPD in connection with the Merger and the transactions contemplated by this Agreement shall have been procured, it being understood, however, that (i) any consents required in connection with United States Government security clearances, and (ii) any other consents, authorizations or approvals, the absence of which would not have a material adverse effect on the business, operations or financial condition of SPD and its Subsidiaries, taken as a whole, need not be obtained prior to Closing.
- (c) There shall not be in force any order or decree, statute, rule or regulation nor shall there be on file any complaint by a governmental agency seeking an

order or decree, restraining, enjoining, restricting or prohibiting the consummation of the Merger in accordance with the terms hereof, and neither ACQUIROR nor Merger Sub nor SPD shall have received notice from any Governmental Authority that it has determined to institute any suit or proceeding to restrain or enjoin the consummation of the Merger or to nullify or render ineffective this Agreement if consummated, or to take any other action which would result in the prohibition or a material change in the terms of the Merger.

Section 8.2 Conditions to Obligations of ACQUIROR and Merger Sub. The obligations of ACQUIROR and Merger Sub to consummate or cause to be consummated the transactions contemplated by this Agreement are subject to the satisfaction of the following additional conditions, any one or more of which may be waived in writing by ACQUIROR and Merger Sub:

(a) Each of the representations and warranties of SPD contained in this Agreement shall be true and correct on the date hereof and (as to those representations and warranties not qualified by reference to materiality, in all material respects) as of the Closing, as if made at and as of that time, and each of the covenants and agreements of SPD to be performed as of or prior to the Closing shall have been performed in all material respects.

(b) SPD shall have delivered to ACQUIROR a certificate signed by the chief executive officer of SPD, dated the Closing, certifying that, to the best of the knowledge and belief of such officer, the conditions specified in subsection 8.2(a) have been fulfilled.

(c) Any consent, waiver, approval, license, or other authorization from, or filing with, any Person other than a Governmental Authority required for the consummation of the Merger or for the enjoyment by SPD and/or its Subsidiaries of the benefits of any Contract or other arrangement with such Person after the Merger (including, without limitation, any consent of landlord required under any lease to which SPD and/or any Subsidiary is a party) shall have been obtained or made, except where the failure to obtain such consent would not have a material adverse effect on the business, operations or financial condition of SPD and its Subsidiaries taken as a whole.

(d) SPD and the Holder Representative shall have executed and delivered to ACQUIROR and Merger Sub the Indemnification and Adjustment Escrow Agreements.

(e) ACQUIROR shall have received an opinion, dated as of the Closing Date, from McCarter & English, LLP substantially in the form of Annex D.

(f) The form and substance of all actions, proceedings, instruments and documents required to consummate the transactions contemplated by this Agreement shall be satisfactory in all reasonable respects to ACQUIROR and its counsel.

(g) Seller shall have delivered to ACQUIROR a certificate(s) in form and substance reasonably satisfactory to ACQUIROR, duly executed and acknowledged, certifying any facts that would exempt the transactions contemplated hereby from withholding pursuant to the provisions of the Foreign Investment in Real Property Tax Act.

(h) Between the date of this Agreement and the Closing, there shall have been no material adverse change (or any event that would reasonably be expected to result in such change) in the condition (financial or otherwise), results of operation, prospects, business, assets or properties of SPD and its Subsidiaries;

(i) ACQUIROR shall have entered in employment agreements on terms reasonably satisfactory to it (including covenants not to compete) with each of the individuals listed in amended Schedule 8.2(i) attached to this Agreement;

(j) Each holder of SPD Shares and Options shall have provided an acknowledgement, in a form reasonably satisfactory to ACQUIROR, of his or its indemnification obligations, and other payment obligations pursuant to Section 1.4(d), under this Agreement (provided, however, that the holders of SPD Shares may at their sole option determine voluntarily, and agree with ACQUIROR, to fund directly, on a pro rata basis, that portion of the indemnification obligations and other payment obligations pursuant to Section 1.4(d) of the holders of SPD Options which is not paid out of the Indemnification Escrow Amount and the Adjustment Escrow Amount, and thereafter to seek reimbursement from the holders of SPD Options for such amounts; in such case, the acknowledgement required by this Section 8.1(j) shall be required to be supplied only by the holders of SPD Shares);

(k) ACQUIROR shall have been provided with evidence reasonably satisfactory to it that no holder of SPD Shares shall have exercised his or its dissenters rights.

Section 8.3 Conditions to the Obligations of SPD. The obligation of SPD to consummate the transactions contemplated by this Agreement is subject to the

satisfaction of the following additional conditions, any one or more of which may be waived in writing by SPD:

(a) Each of the representations and warranties of ACQUIROR contained in this Agreement shall be true and correct in all material respects both on the date hereof (as to those representations and warranties not qualified by reference to materiality, in all material respects) and as of the Closing, as if made at and as of that time, and each of the covenants and agreements of ACQUIROR to be performed as of or prior to the Closing shall have been performed in all material respects

(b) ACQUIROR shall have delivered to SPD a certificate signed by an officer of ACQUIROR, dated the Closing, certifying that, to the best of the knowledge and belief of such officer, the conditions specified in subsection 8.3(a) have been fulfilled.

(c) ACQUIROR and Merger Sub shall have executed and delivered to SPD and the Holder Representative the Indemnification and Adjustment Escrow Agreements.

(d) SPD shall have received an opinion, dated as of the Closing Date, from Simpson Thacher & Bartlett, counsel to ACQUIROR substantially in the form of Annex E.

(e) The form and substance of all actions, proceedings, instruments and documents required to consummate the transactions contemplated by this Agreement shall be satisfactory in all reasonable respects to SPD and its counsel.

(f) The employment agreements referenced in Section 8.2(i) shall have been executed by ACQUIROR.

ARTICLE IX

TERMINATION/EFFECTIVENESS

Section 9.1 Termination. This Agreement may be terminated and the transactions contemplated hereby abandoned:

- (a) By mutual written consent of the parties authorized by their respective Boards of Directors, at any time prior to the Closing.
- (b) Prior to the Closing, by written notice to SPD from ACQUIROR, authorized by the Board of Directors of ACQUIROR, if (i) there is any material breach of any covenant or agreement on the part of SPD set forth in this Agreement, or if a representation or warranty of SPD shall be untrue in any material respect, in either case, such that the condition specified in Section 8.2(a) hereof would not be satisfied at the Closing (a "Terminating SPD Breach"), except that, if such Terminating SPD Breach is curable by SPD through the exercise of its reasonable best efforts, then, for a period of up to 30 days, but only as long as SPD continues to use its reasonable best efforts to cure such Terminating SPD Breach (the "SPD Cure Period"), such termination shall not be effective, and such termination shall become effective only if the Terminating SPD Breach is not cured within SPD Cure Period, (ii) the conditions set forth in Sections 8.1 and 8.2 of this Agreement have not been satisfied on or before August 15, 1998 (except in the event that as of such date a condition set forth in Section 8.1(a) or (b) has not been satisfied by reason of the failure to obtain any clearance from any Antitrust Authority, in which case such date shall be extended until September 15, 1998), (iii) the Closing has not occurred on or before August 15, 1998, other than as a result of a breach of a representation, warranty, covenant or agreement of ACQUIROR (except in the event that as of such date a condition set forth in Section 8.1(a) or (b) has not been satisfied by

reason of the failure to obtain any clearance from any Antitrust Authority, in which case such date shall be extended until September 15, 1998), (iv) any governmental or regulatory consent or approval required for consummation of the transactions contemplated hereby is denied by or in a final order or other final action issued or taken by the appropriate Governmental Authority, (v) consummation of any of the transactions contemplated hereby is enjoined, prohibited or otherwise restrained by the terms of a final, non-appealable order or judgment of a court of competent jurisdiction, or (vi) ACQUIROR exercises its right to terminate this Agreement pursuant to Section 6.9.

(c) Prior to the Closing, by written notice to ACQUIROR from SPD, authorized by its Board of Directors, if (i) there is any material breach of any covenant or agreement on the part of ACQUIROR set forth in this Agreement, or if a representation or warranty of ACQUIROR shall be untrue in any material respect, in either case, such that the condition specified in Section 8.3(a) hereof would not be satisfied at the Closing (a "Terminating ACQUIROR Breach"), except that, if such Terminating ACQUIROR Breach is curable by ACQUIROR through the exercise of its reasonable best efforts, then, for a period of up to 30 days, but only as long as ACQUIROR continues to exercise such reasonable best efforts to cure such Terminating ACQUIROR Breach (the "ACQUIROR Cure Period"), such termination shall not be effective, and such termination shall become effective only if the Terminating ACQUIROR Breach is not cured within the ACQUIROR Cure Period, (ii) the conditions set forth in Section 8.3 of this Agreement shall not have been satisfied on or before August 15, 1998 (except in the event that a request for additional information is made by any Antitrust Authority, in which case such date shall be extended until September 15, 1998), (iii) the Closing has

not occurred on or before August 15, 1998 other than as a result of a breach of a representation, warranty, covenant or agreement of SPD(except in the event that a request for additional information is made by any Antitrust Authority, in which case such date shall be extended until September 15, 1998), (iv) any governmental or regulatory consent or approval required for consummation of the transactions contemplated hereby is denied by or in a final order or other final action issued or taken by the appropriate Governmental Authority or (v) consummation of any of the transactions contemplated hereby is enjoined, prohibited or otherwise restrained by the terms of a final, non-appealable order or judgment of a court of competent jurisdiction.

Section 9.2 Effect of Termination. In the event of termination and abandonment of this Agreement pursuant to Section 9.1, this Agreement shall forthwith become void and have no effect, without any liability on the part of any party hereto or its respective Affiliates, officers, directors or stockholders, other than liability of SPD, ACQUIROR or Merger Sub, as the case may be, for any intentional and willful breach of this Agreement occurring prior to such termination, and any other liabilities which any party may otherwise have pursuant to applicable law. The provisions of Sections 6.1 and 13.6 hereof shall survive any termination of this Agreement.

ARTICLE X

CERTAIN DEFINITIONS

As used herein, the following terms shall have the following meanings:

"ACQUIROR" has the meaning specified in the Preamble hereto.

"ACQUIROR Cure Period" has the meaning specified in Section 9. 1.

"ACQUIROR Indemnified Parties" has the meaning specified in Section 12.2.

"Action" means any claim, action, suit, audit, assessment, arbitration or inquiry, or any proceeding or investigation, by or before any Governmental Authority.

"Adjustment Escrow Agreement" has the meaning specified in Section 1.4.

"Adjustment Escrow Amount" has the meaning specified in Section 1.4.

"Affiliate" means, with respect to any specified Person, any Person that, directly or indirectly, controls, is controlled by, or is under common control with, such specified Person, through one or more intermediaries or otherwise.

"Aggregate Fully-Diluted SPD Common Shares" has the meaning specified in Section 1.1.

"Aggregate Option Exercise Price" has the meaning specified in Section 1.1.

"Agreement" has the meaning specified in the Preamble hereto.

"Antitrust Authorities" means the Antitrust Division of the United States Department of Justice, the United States Federal Trade Commission or the antitrust or competition law authorities of any other jurisdiction (whether United States, state, local, foreign or multinational).

"Applicable Percentage" has the meaning specified in Section 1.2.

"Auditor" has the meaning specified in Section 1.4.

"Benefit Arrangement" has the meaning specified in Section 2.14.

"Cash Per Fully-Diluted Common Share" has the meaning specified in Section 1.1.

"Certificate of Merger" has the meaning specified in the Section entitled "Plan of Merger."

"Closing" has the meaning specified in Section 7.2.

"Closing Balance Sheet" has the meaning specified in Section 1.4.

"Closing Date Adjusted Net Assets" has the meaning specified in Section 1.4.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidentiality Agreement" has the meaning specified in Section 13.9.

"Constituent Corporations" shall have the meaning specified in the Section entitled "Plan of Merger."

"Contracts" means any contracts (including, without limitation, Government Contracts), agreements, subcontracts, leases, and purchase orders.

"Damages" has the meaning specified in Section 12.2.

"DGCL" has the meaning specified in the Section entitled "Plan of Merger."

"Determination Date" has the meaning specified in Section 1.4.

"Employee Options" has the meaning specified in Section 1.2.

"Employee Plans" has the meaning specified in Section 2.14.

"Environmental Laws" means, collectively, all applicable foreign, U.S. federal, state or local laws, statutes, ordinances, rules, regulations, codes or common law relating to health, safety, pollution or protection of the environment, as in effect as of the date hereof (including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act, as amended, the Resource Conservation and Recovery Act, as amended, the Clean Air Act, as amended, and the California Hazardous Waste Control Act, as amended).

"ERISA" has the meaning specified in Section 2.14.

"ERISA Affiliate" has the meaning specified in Section 2.14.

"Evaluation Materials" means this Agreement (together with the Schedules and Annexes hereto) and, as to any party hereto, means all other non-public information furnished to such party by the other parties hereto (the "disclosing party") in connection with the transactions contemplated hereby relating to the disclosing party or the disclosing party's Affiliates, whether furnished orally or in writing, or gathered by inspection, together with analyses, compilations, studies or other documents prepared by any party, or by such party's agents, representatives (including attorneys, accountants and financial advisors) or employees, which contain or otherwise reflect such information, provided that the term Evaluation Materials shall not include information that (i) is or becomes generally available to the public other than as a result of a disclosure in violation of the terms hereof or the Confidentiality Agreement, (ii) was or becomes available to a party hereto on a nonconfidential basis from a source other than any other party hereto or their representatives and affiliates, provided that such source is not prohibited from disclosing such information by a contractual, legal or fiduciary obligation to any party hereto or any of their respective representatives, or (iii) has been or is independently developed by the party to which such information was furnished and not derived from the Evaluation Materials.

"Funded Debt" of any Person, means all obligations of such Person for borrowed money.

"GAAP" has the meaning specified in Section 1.4.

"Government Bid" has the meaning specified in Section 2.9.

"Government Contracts" has the meaning specified in Section 2.9.

"Governmental Authority" means any Federal, state, municipal, local or foreign government, governmental authority, regulatory or administrative agency, governmental commission, department, board, bureau, agency or instrumentality, court, tribunal, arbitrator or arbitral body.

"Government Order" means any order, writ, rule, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Grant Thornton" has the meaning specified in Section 1.4.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Holder Acknowledgement" means an agreement or certificate signed by a holder of Options acknowledging cancellation of all Options held by such holder in form reasonably acceptable to the Surviving Corporation.

"Holder Allocable Expenses" has the meaning specified in Section 1.5.

"Holder Representative" has the meaning specified in Section 11.1.

"Indemnification Escrow Agreement" has the meaning specified in Section 1.4.

"Indemnification Escrow Amount" has the meaning specified in Section 1.4.

"Indemnified Party" has the meaning specified in Section 12.1.

"Indemnity Cap" has the meaning specified in Section 12.2.

"Intellectual Property" has the meaning specified in Section 2.11.

"Leased Real Property" means all the real property leased by SPD and its Subsidiaries with annual lease obligations in excess of \$10,000.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, encumbrance, security interest or other lien of any kind.

"Loss CarryBack" means the net operating loss as reflected on the Stub Period Tax Returns but only to the extent attributable to the cancellation of Employee Options pursuant to Section 1.1(d) of this Agreement.

"Machinery and Equipment" has the meaning specified in Section 2.10.

"Majority Holders" has the meaning specified in Section 11.1.

"Merger" has the meaning specified in the Section entitled "Plan of Merger."

"Merger Consideration" has the meaning specified in Section 1.1.

"Merger Sub" has the meaning specified in the Preamble hereto.

"MidMark" has the meaning specified in the Preamble hereto.

"Multiemployer Plan" has the meaning specified in Section 2.14.

"Net Working Capital" has the meaning specified in Section 1.4.

"Owned Real Property" means all real property owned by SPD or any of its Subsidiaries.

"PBGC" has the meaning specified in Section 2.14.

"Permitted Liens" means (i) mechanics, materialmen's and similar Liens with respect to any amounts not yet due and payable or which are being contested in good faith through appropriate proceedings, (ii) Liens for Taxes not yet due and payable or which are being contested in good faith through appropriate proceedings (and for which reserves are established on the financial statements of SPD), (iii) Liens arising in connection with the sale of foreign receivables, (iv) Liens on goods in transit incurred pursuant to documentary letters of credit, (v) Liens securing rental payments under capital lease agreements disclosed in Schedule 2.8, (vi) Liens arising in favor of the United States Government as a result of progress payment clauses contained in any

Government Contract, and (vii) encumbrances and restrictions on real property (including easements, covenants, rights of way and similar restrictions of record) that do not materially interfere with the present uses or materially diminish the present value of such real property.

"Person" means any individual, firm, corporation, partnership, limited liability company, incorporated or unincorporated association, joint venture, joint stock company, governmental agency or instrumentality or other entity of any kind.

"Pre-Existing Environmental Condition" has the meaning specified in Section 12.2.

"SPD" has the meaning specified in the Preamble hereto.

"SPD Class A Common Stock" has the meaning specified in Section 1.1.

"SPD Class B Common Stock" has the meaning specified in Section 1.1.

"SPD Common Stock" has the meaning specified in Section 1.1.

"SPD Indemnified Party" has the meaning specified in Section 12.2.

"SPD Stock" has the meaning specified in Section 1.1.

"SPD Cure Period" has the meaning specified in Section 9.1.

"SPD Pension Plan" has the meaning specified in Section 2.14.

"SPD Principal Stockholders" means MidMark, Larry A. Colangelo and John C. Fleury.

"SPD Share" has the meaning specified in Section 1.1.

"Stub Period Tax Returns" has the meaning specified in Section 1.4.

"Subsidiary" means, with respect to any Person, a corporation or other entity of which 50% or more of the voting power of the equity securities or equity interests is owned, directly or indirectly, by such Person.

"Survival Period" has the meaning specified in Section 12.1.

"Surviving Corporation" has the meaning specified in the Section entitled "Plan of Merger."

"Terminating ACQUIROR Breach" has the meaning specified in Section 9.1.

"Terminating SPD Breach" has the meaning specified in Section 9.1.

"Options" has the meaning specified in Section 1.1.

ARTICLE XI

HOLDER REPRESENTATIVE

Section 11.1 Designation and Replacement of Holder Representative. The parties have agreed that it is desirable to designate a representative to act on behalf of holders of SPD Shares and Options for certain limited purposes, as specified herein (the "Holder Representative"). The parties have designated MidMark as the initial Holder Representative, and approval of this Agreement by the holders of SPD Shares and Options shall constitute ratification and approval of such designation. The Holder Representative may resign at any time, and the Holder Representative may be removed by the vote of Persons which collectively owned more than 50% of the Aggregate Fully-Diluted SPD Common Shares at the Effective Time of the Merger ("Majority Holders"). In the event that a Holder Representative has resigned or been removed, a new Holder Representative shall be appointed by a vote of Majority Holders, such appointment to become effective upon the written acceptance thereof by the new Holder Representative.

Section 11.2 Authority and Rights of Holder Representative; Limitations on Liability.

The Holder Representative shall have such powers and authority as are necessary to carry out the functions assigned to it under this Agreement; provided, however, that the Holder Representative will have no obligation to act on behalf of the holders of SPD Shares and Options, except as expressly provided herein; and provided, further, that the Holder Representative shall obtain the oral or written consent of Larry A. Colangelo prior to taking any material actions in such capacity. Without limiting the generality of the foregoing, the Holder Representative shall have full power, authority and discretion to estimate and determine the amounts of Holder Allocable Expenses and to pay such Holder Allocable Expenses in accordance with Section 1.5 hereof. The Holder Representative will have no liability to ACQUIROR, SPD or the holders of SPD Shares and Options with respect to actions taken or omitted to be taken in its capacity as Holder Representative, except with respect to the Holder Representative's gross negligence or willful misconduct. The Holder Representative will at all times be entitled to rely on any directions received from the Majority Holders; provided, however, that the Holder Representative shall not be required to follow any such direction, and shall be under no obligation to take any action in its capacity as Holder Representative, unless the Holder Representative is holding funds delivered to it under Section 1.5 of this Agreement and/or has been provided with other funds, security or indemnities which, in the sole determination of the Holder Representative, are sufficient to protect the Holder Representative against the costs, expenses and liabilities which may be incurred by the Holder Representative in responding to such direction or taking such action. The Holder Representative shall be entitled to engage such counsel, experts and other agents and

consultants as it shall deem necessary in connection with exercising its powers and performing its function hereunder and (in the absence of bad faith on the part of the Holder Representative) shall be entitled to conclusively rely on the opinions and advice of such Persons. The Holder Representative shall be entitled to reimbursement from funds paid to it under Section 1.5 of this Agreement and/or otherwise received by it in its capacity as Holder Representative pursuant to or in connection with this Agreement, for all reasonable expenses, disbursements and advances (including fees and disbursements of its counsel, experts and other agents and consultants) incurred by the Holder Representative in such capacity, and for indemnification against any loss, liability or expenses arising out of actions taken or omitted to be taken in its capacity as Holder Representative (except for those arising out of the Holder Representative's gross negligence or willful misconduct), including the costs and expenses of investigation and defense of claims.

ARTICLE XII

SURVIVAL AND INDEMNIFICATION

Section 12.1 Survival. The representations and warranties contained in this Agreement shall survive the Closing for the period up to and including the date eighteen months following the Closing Date, except that (i) the representations and warranties in Sections 2.1, 2.2, 2.3, 2.4, 2.5 and 2.22 shall survive indefinitely; and (ii) the representation and warranties in Section 2.18 shall survive for the period up to and including 60 days following the expiration of the applicable statute of limitations (the "Survival Period"). No party seeking indemnification (the "Indemnified Party") shall be entitled to indemnification pursuant to this Article XII with respect to any representation

or warranty unless the Indemnified Party shall have provided the Indemnifying Party with written notice thereof on or before the expiration of the applicable Survival Period.

Section 12.2 Indemnification.

(a) Subject to the other provisions of this Article XII, from and after the Closing until the expiration of the applicable Survival Period, ACQUIROR and their respective officers, directors, affiliates, shareholders and assigns (collectively, the "ACQUIROR Indemnified Parties") shall be entitled to indemnification from the holders of SPD Shares and Options from and against any costs or expense, losses, claims, judgments, liabilities, fines, amounts paid in settlement, and damages, net of any tax savings (including an increase in the event an indemnification payment is determined to be taxable) and any insurance recoveries actually received by the Indemnified Party (collectively, "Damages"), as incurred, to the extent they relate to, arise out of or are the result of (i) the breach of any of the representations and warranties of SPD contained in this Agreement, (ii) the breach of or nonperformance of any covenant or agreement of SPD contained in this Agreement, and (iii) any non-compliance by SPD or any of its Subsidiaries on or prior to the Closing Date of any Environmental Law in effect on any such date or any remediation required by law of environmental contamination relating to conditions existing or events occurring on or prior to the Closing Date, regardless of whether or not the same would otherwise constitute a breach of a representation and warranty of SPD ("Pre-Existing Environmental Conditions"); provided that if, and to the extent that, a liability of SPD or any of its subsidiaries (including, without limitation, any Tax liability) is reserved for or accrued on the Closing Balance Sheet (other than reserves for deferred taxes reflecting the difference between book and tax basis in assets and liabilities) and provided, that such liability is included in the calculation of the

Adjustment Amount, it shall not constitute Damages indemnifiable hereunder to the extent so reserved or accrued. Subject to the provisions of this Article XII, from and after the Closing, ACQUIROR shall indemnify in respect of, and hold the Holder Representative, the holders of SPD Shares and Options entitled to receive the Merger Consideration in connection with the Merger and their respective officers, directors, shareholders, employees, agents, subsidiaries, parents and assigns (a "SPD Indemnified Party"), harmless from any and all Damages resulting from any misrepresentation, breach of warranty, or nonfulfillment or failure to perform any covenant or agreement on the part of ACQUIROR contained in this Agreement.

(b) Notwithstanding the foregoing, in the absence of fraud or intentional misrepresentation, no ACQUIROR or SPD Indemnified Party shall be entitled to any claim for indemnification for any Damages with respect to a breach of a representation or warranty for which it would otherwise be entitled to indemnification pursuant to Section 12.2 (a) unless such a claim exceeds the sum of \$25,000 and the aggregate amount of all such claims for indemnification claimed by the ACQUIROR or SPD Indemnified Parties with respect to breaches of representations and warranties pursuant to such Section exceeds the sum of \$1,000,000, and the rights of the ACQUIROR and SPD Indemnified Parties to seek indemnification hereunder for such Damages shall be limited to the amounts of such claims in excess of \$1,000,000.

(c) To the extent any ACQUIROR or SPD Indemnified Party is entitled to indemnification pursuant to this Section 12.2(a), the aggregate amount of all Damages for which all ACQUIROR or SPD Indemnified Parties, respectively, shall be entitled to indemnification for breaches of representations or warranties and for Pre-

Existing Environmental Conditions shall not exceed \$10,000,000 (the "Indemnity Cap") (such Indemnity Cap being in addition to SPD's rights to be indemnified by certain third parties under (i) the existing \$5,000,000 escrow account related to the prior transaction between SPD and PTS Holdings, Inc. (\$2,000,000 of which survives through December 31, 1998 and \$3,000,000 of which survives through June 30, 1999) and the environmental indemnification pursuant to the Magnetek Agreement referred to in Section 2.8(c)). So long as the Indemnification Escrow Amount shall remain held in escrow pursuant to the terms of the Indemnification Escrow Agreement, all claims by any ACQUIROR Indemnified Party for indemnification pursuant to this Section 12.2 against the holders of SPD Shares or Options shall be satisfied out of the Indemnification Escrow Amount. Notwithstanding anything to the contrary otherwise contained in this Agreement, the indemnification obligations under Section 12.2(a) shall expire upon termination of the applicable Survival Period in Section 12.1; provided, however, that such indemnification obligations with respect to any claim for indemnification asserted in writing delivered to the Indemnifying Party prior to the expiration of such Survival Period shall survive the expiration of such Survival Period until such claim for indemnification is either resolved or satisfied. Notwithstanding anything to the contrary otherwise contained in this Agreement, the indemnification obligations under Section 12.2(a)(iii) for Pre-Existing Environmental Conditions shall expire upon that date which is eighteen months following the Closing Date; provided, however, that such indemnification obligations with respect to any claim for indemnification asserted in writing delivered to the Indemnifying Party prior to the expiration of such period shall survive the expiration of such period until such claim for indemnification is either

resolved or satisfied. To the extent that any claim for indemnification for a Pre-Existing Environmental Condition shall also serve as the basis for a claim for indemnification under the PTS Holdings, Inc. and/or Magnetek agreements referred to above, ACQUIROR agrees to pursue its remedies against such parties and to limit any claim against SPD under this Agreement to the amount that it is unsuccessful in collecting from such part(ies). To the extent that aggregate Damages for indemnification for Pre-Existing Environmental Conditions exceed \$4,000,000, all Damages for Pre-Existing Environmental Conditions in excess of such amount shall be payable only in an amount equal to one-half (50%) of such Damages.

(d) Method of Asserting Claims, Etc. All claims for indemnification by any Indemnified Party under this Section 12.2 shall be asserted and received as follows:

(i) In the event that any claims or demand in respect of which any Indemnified Party would be entitled to indemnification hereunder is asserted against such Indemnified party by a third party, said Indemnified Party shall with reasonable promptness notify the Indemnifying Party of such claim or demand, specifying the nature of and specific basis for such claims or demand and the amount or the estimated amount thereof to the extent then feasible (which estimate shall not be conclusive of the final amount of such claim and demand the "Claim Notice"). The Indemnifying Party shall have thirty (30) days from the personal delivery or mailing of the Claim Notice (the "Notice Period") to notify the Indemnified Party hereunder with respect to such claim or demand whether or not it desires to defend the Indemnified Party against such claim or demand. In the event that the Indemnifying Party notifies the Indemnified party within

the Notice Period that it desires to defend the Indemnified Party against such claim or demand and except as hereinafter provided, the Indemnifying Party shall have the right (but not the obligation) to defend by all appropriate proceedings, which proceedings shall be promptly settled or prosecuted by it to a final conclusion. If the Indemnified Party desires to participate in, but not control, any such defense or settlement it may do so at its sole cost and expense. If requested by the Indemnifying Party, the Indemnified Party agrees to cooperate with the Indemnifying Party and its counsel in contesting any claim or demand which the Indemnifying Party elects to contest, or, if appropriate and related to the claim in question, in making any counterclaim against the Person asserting the third cross complaint against any Person. No claim may be settled without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

(e) Exclusive Remedy. Following the Effective Time of the Merger, the rights of the Indemnified Parties to indemnification pursuant to this Section 12.2 shall be the sole and exclusive legal remedy of such Indemnified Parties for any breach of any representation or warranty set forth in this Agreement.

(f) Tax Related Adjustments. The parties agree that any indemnity payment made hereunder will be treated by the parties on their Tax Returns as an adjustment to the Merger Consideration.

ARTICLE XIII

MISCELLANEOUS

Section 13.1 Waiver. Any party to this Agreement may, at any time prior to the Closing, or officers thereunto duly authorized, waive any of the terms or conditions of this Agreement or agree to an amendment or modification to this Agreement by an

agreement in writing executed in the same manner (but not necessarily by the same Persons) as this Agreement.

Section 13.2 Notices. All notices and other communications among the parties shall be in writing and shall be deemed to have been duly given when (i) delivered in person, or (ii) five days after posting in the United States mail having been sent registered or certified mail return receipt requested, or (iii) delivered by telecopy and promptly confirmed by delivery in person or post as aforesaid in each case, with postage prepaid, addressed as follows:

(a) If to ACQUIROR or Merger Sub, to:

L-3 Communications Corporation
600 Third Avenue
New York, New York 10016
Attention: Christopher C. Cambria, Esq.
telecopy No.: (212) 805-5494

with copies to:

Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017-3954
Attention: William E. Curbow, Esq.
Telecopy No.: (212) 455-2502

(b) If to SPD, to:

SPD Technologies, Inc.
13500 Roosevelt Blvd.
Philadelphia, PA 19116
Attention: Larry A. Colangelo
Telecopy No.: (215) 677-1231

with copies to:

McCarter & English, LLP
100 Mulberry Street
Newark, NJ 07101
Attention: David F. Broderick, Esq.
Telecopy No.: (973) 624-7070

Obermayer, Rebmann, Maxwell & Hippel, LLP
One Penn Center
1617 John F. Kennedy Blvd., 19th Floor
Philadelphia, PA 19103-1895
Attention: John J. Ehlinger, Esq.
Telecopy No.: (215) 665-3165

(c) If to the Holder Representative, to:

MidMark Capital, L.P.
466 Southern Blvd.
Chatham, NJ 07928
Telecopy No.: (973) 822-8911

with copies to:

McCarter & English, LLP
100 Mulberry Street
Newark, NJ 07101
Attention: David F. Broderick, Esq.
Telecopy No.: (973) 624-7070

or to such other address or addresses as the parties may from time to time designate in writing.

Section 13.3 Assignment. No party hereto shall assign this Agreement or any part hereof without the prior written consent of the other parties (provided, however, that ACQUIROR may assign its obligations under this Agreement to any Affiliate). Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

Section 13.4 Rights of Third Parties. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or give any Person, other than the parties hereto, any right or remedies under or by reason of this Agreement.

Section 13.5 Reliance. Each of the parties to this Agreement shall be deemed to have relied upon the accuracy of the written representations and warranties made to it in or pursuant to this Agreement, notwithstanding any investigations conducted by or on its behalf or notice, knowledge or belief to the contrary.

Section 13.6 Expenses. Each party hereto, other than the Holder Representative (whose expenses shall be paid out of funds paid to the Holder Representative under Section 1.5 in the event the transactions contemplated hereby are consummated), shall bear its own expenses incurred in connection with this Agreement and the transactions herein contemplated whether or not such transactions shall be consummated, including, without limitation, all fees of its legal counsel, financial advisers and accountants; provided, however, that the fees and expenses of the Auditors, if any, shall be paid one-half by ACQUIROR and one-half by the Holder Representative out of funds paid to the Holder Representative under Section 1.5. In the event the transactions contemplated hereby are not consummated each party hereto shall pay its own costs and expenses including, without limitation, all fees of its legal counsel, financial advisors and accountants, provided that, in the event that the transactions contemplated hereby are not consummated, SPD shall reimburse the Holder Representative for all costs and expenses incurred by the Holder Representative in connection with the transactions contemplated hereby.

Section 13.7 Transfer Tax. Stockholders shall be responsible for the timely payment of, and to such extent shall indemnify and hold harmless ACQUIROR Indemnified Parties against all sales (including without limitation, bulk sales), use, value added, documentary, stamp, gross receipts, registration, transfer, conveyance, excise, recording, license, stock transfer stamps and other similar Taxes and fees ("Transfer Costs") arising out of or in connection with or attributable to the transactions effected pursuant to this Agreement. Stockholders shall prepare and timely file all Tax Returns required to be filed in respect of Transfer Costs (including, without limitation, all notices required to be given with respect to bulk sales taxes), provided that ACQUIROR shall prepare any such Tax Returns that are the primary responsibility of Buyer under applicable laws.

Section 13.8 Construction. This Agreement shall be construed and enforced in accordance with the laws of the State of New York. Unless otherwise stated, references to Sections, Articles or Annexes refer to the Sections, Articles and Annexes to this Agreement. As used herein, the phrase "to the knowledge" of any Person which is an entity shall mean the actual knowledge of such Person's executive officers.

Section 13.9 Captions, Counterparts. The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 13.10 Entire Agreement. This Agreement (together with the Schedules and Annexes to this Agreement) and that certain Confidentiality Agreement between

ACQUIROR and SPD (the "Confidentiality Agreement") constitute the entire agreement among the parties and supersede any other agreements, whether written or oral, that may have been made or entered into by or among any of the parties hereto or any of their respective Subsidiaries relating to the transactions contemplated hereby. No representations, warranties, covenants, understandings, agreements, oral or otherwise, relating to the transactions contemplated by this Agreement exist between the parties except as expressly set forth in this Agreement and the Confidentiality Agreement.

Section 13.11 Amendments. This Agreement may be amended or modified in whole or in part only by a duly authorized agreement in writing executed in the same manner as this Agreement and which makes reference to this Agreement.

Section 13.12 Publicity. All press releases or other public communications of any nature whatsoever relating to the transactions contemplated by this Agreement, and the method of the release for publication thereof, shall be subject to the prior mutual approval of ACQUIROR and SPD which approval shall not be unreasonably withheld by any party; provided, however, that, nothing herein shall prevent any party from publishing such press releases or other public communications as such party may consider necessary in order to satisfy such party's legal or contractual obligations after such consultation with the other parties hereto as is reasonable under the circumstances.

[INTENTIONALLY BLANK]

IN WITNESS WHEREOF the parties have hereunto caused this Agreement to be
duly executed as of the date first above written.

CORPORATION

L-3 COMMUNICATIONS

By: _____
Name: _____
Title: _____

SPD MERGER CO.

By: _____
Name: _____
Title: _____

SPD TECHNOLOGIES, INC.

By: _____
Name: _____
Title: _____

MIDMARK CAPITAL, L.P.

By: MidMark Associates, Inc.
General Partner

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF the parties have hereunto caused this Agreement to be duly
executed as of the date first above written.

L-3 COMMUNICATIONS CORPORATION

By: 

Name: Christopher C. Cambria

Title: V.P.

SPD MERGER CO

By: 

Name: Christopher C. Cambria

Title: V.P.

SPD TECHNOLOGIES, INC.

By: 

Name: LARRY A. COFRANCESCO

Title: PRESIDENT & CEO

MIDMARK CAPITAL, L.P.

By: MidMark Associates, Inc.
General Partner

By: 

Name: WAYNE L. CLEVELINGER

Title: MANAGING DIRECTOR

—

ATTACHMENT 5

PLEASE BE ADVISED THAT THIS ATTACHMENT
IS BEING TRANSMITTED TO YOU DIRECTLY FOR
DECEMBER 14, 2001 DELIVERY BY THE LAW
FIRM OF:

JOHN J. EHLINGER, JR., ESQ.

OBERMAYER REBMANN MAXWELL
& HIPPEL LLP

1617 KENNEDY BOULEVARD
PHILADELPHIA, PA 19103-1895
TEL: 215-665-3082

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communications
SPD Technologies, Inc.

In compliance copy of 1/1/01

Purchasing Policy

#550.070

SUBJECT: DOCUMENTATION OF PURCHASE ORDERS FILES	PAGE 4 of 4
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16. Check appropriate dollar limitation signature in accordance with SPD Purchasing Policy 550.040.
17. Contract Security Classification Specification (DD254).
18. Review of Purchase Orders/Requisitions (orders over \$25,000). (PAP Form 1610)

B. Documentation shall be retained in accordance with Appendix 1 (FAR 4-705).

Notes:

1. Purchasing Manager has overall responsibility for determining appropriateness of Sole Source or Single Source procurements.
2. Additional documentation may be inserted where deemed appropriate by the responsible Buyer.

provides photographic or electronic images of the original records and meets the following requirements:

(1) The contractor or subcontractor has established procedures to ensure that the imaging process preserves accurate images of the original records, including signatures and other written or graphic images, and that the imaging process is reliable and secure so as to maintain the integrity of the records.

(2) The contractor or subcontractor maintains an effective indexing system to permit timely and convenient access to the imaged records.

(3) The contractor or subcontractor retains the original records for a minimum of one year after imaging to permit periodic validation of the imaging systems.

(d) If the information described in paragraph (a) of this section is maintained on a computer, contractors shall retain the computer data on a reliable medium for the time periods prescribed. Contractors may transfer computer data in machine readable form from one reliable computer medium to another. Contractors' computer data retention and transfer procedures shall maintain the integrity, reliability, and security of the original computer data. Contractors shall also retain an audit trail describing the data transfer. For the record retention time periods prescribed, contractors shall not destroy, discard, delete, or write over such computer data. [FAC 84-12, 51 FR 2649, 1/17/86, effective 1/20/86; FAC 84-40, 53 FR 43388, 10/26/88, effective 11/25/88; FAC 84-53, 54 FR 48982, 11/28/89, effective 12/28/89; FAC 90-23, 59 FR 67010, 12/28/94, effective 2/27/95; FAC 90-31, 60 FR 42648, 8/16/95, effective 10/1/95; FAC 97-3, 62 FR 64912, 12/9/97, effective 2/9/98]

4.704 Calculation of retention periods.

(a) The retention periods in 4.705 are calculated from the end of the contractor's fiscal year in which an entry is made charging or allocating a cost to a Government contract or subcontract. If a specific record contains a series of entries, the retention period is calculated from the end of the contractor's fiscal year in which the final entry is made. The contractor should cut off the records in annual blocks and retain them for block disposal under the prescribed retention periods.

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(b) When records generated during a prior contract are relied upon by a contractor for cost or pricing data in negotiating a succeeding contract, the prescribed periods shall run from the date of the succeeding contract.

(c) If two or more of the record categories described in 4.705 are interfiled and screening for disposal is not practical, the contractor shall retain the entire record series for the longest period prescribed for any category of records.

4.705 Specific retention periods.

The contractor shall retain the records identified in 4.705-1 through 4.705-3 for the periods designated, provided retention is required under 4.702. Records are identified in this subpart in terms of their purpose or use and not by specific name or form number. Although the descriptive identifications may not conform to normal contractor usage or filing practices, these identifications apply to all contractor records that come within the description.

4.705-1 Financial and cost accounting records.

(a) Accounts receivable invoices, adjustments to the accounts, invoice registers, carrier freight bills, shipping orders, and other documents which detail the material or services billed on the related invoices: Retain 4 years.

(b) Material, work order, or service order files, consisting of purchase requisitions or purchase orders for material or services, or orders for transfer of material or supplies: Retain 4 years.

(c) Cash advance recapitulations, prepared as posting entries to accounts receivable ledgers for amounts of expense vouchers prepared for employees' travel and related expenses: Retain 4 years.

(d) Paid, canceled, and voided checks, other than those issued for the payment of salary and wages: Retain 4 years.

(e) Accounts payable records to support disbursements of funds for materials, equipment, supplies, and services, containing originals or copies of the following and related documents: remittance advices and statements, vendors' invoices, invoice audits and payments, vendors' invoices, invoice audits and distribution slips, receiving and inspection reports or comparable certifications of receipt and inspection of material or services.

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SUBPART 4.8—GOVERNMENT CONTRACT FILES

4.800 Scope of subpart.

This subpart prescribes requirements for establishing, maintaining, and disposing of contract files for all contractual actions. The application of this subpart to contracts awarded using the simplified acquisition procedures covered by Part 13 is optional. (See also documentation requirements in 13.106-3 (b)). [FAC 90-29, 60 FR 34732, 7/3/95, effective 7/3/95; FAC 90-40, 61 FR 39186, 7/26/96, effective 8/26/96; FAC 97-3, 62 FR 64912, 12/9/97, effective 2/9/98]

4.801 General.

(a) The head of each office performing contracting, contract administration, or paying functions shall establish files containing the records of all contractual actions.

(b) The documentation in the files (see 4.803) shall be sufficient to constitute a complete history of the transaction for the purpose of—

(1) Providing a complete background as a basis for informed decisions at each step in the acquisition process;

(2) Supporting actions taken;

(3) Providing information for reviews and investigations; and

(4) Furnishing essential facts in the event of litigation or congressional inquiries.

(c) The files to be established include—

(1) A file for cancelled solicitations;

(2) A file for each contract; and

(3) A file such as a contractor general file, containing documents relating—for example—to—

(i) No specific contract;

(ii) More than one contract; or

(iii) The contractor in a general way (e.g., contractor's management systems, past performance, or capabilities).

4.802 Contract files.

(a) A contract file should generally consist of—

(1) The contracting office contract file, which shall document the basis for the acquisition

and debit and credit memoranda: Retain 4 years.

(f) Labor cost distribution cards or equivalent documents: Retain 2 years.

(g) Petty cash records showing description of expenditures, to whom paid, name of person authorizing payment, and date, including copies of vouchers and other supporting documents: Retain 2 years.

4.705-2 Pay administration records.

(a) Payroll sheets, registers, or their equivalent, of salaries and wages paid to individual employees for each payroll period; change slips; and tax withholding statements: Retain 4 years.

(b) Clock cards or other time and attendance cards: Retain 2 years.

(c) Paid checks, receipts for wages paid in cash, or other evidence of payments for services rendered by employees: Retain 2 years.

(a) Store requisitions for materials, supplies, equipment, and services: Retain 2 years.

(b) Work orders for maintenance and other services: Retain 4 years.

(c) Equipment records, consisting of equipment usage and status reports and equipment repair orders: Retain 4 years.

(d) Expendable property records, reflecting accountability for the receipt and use of material in the performance of a contract: Retain 4 years.

(e) Receiving and inspection report records, consisting of reports reflecting receipt and inspection of supplies, equipment, and materials: Retain 4 years.

(f) Purchase order files for supplies, equipment, material, or services used in the performance of a contract; supporting documentation and backup files including, but not limited to, invoices, and memoranda; e.g., memoranda of negotiations showing the principal elements of subcontract price negotiations (see 52.244-2): Retain 4 years.

(g) Production records of quality control, reliability, and inspection: Retain 4 years. [FAC 97-5, 63 FR 34058, 6/22/98, effective 8/21/98]

4.706 [Reserved]

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